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TRANSCRIPT OF REMARKS BY AGRICULTURE SECRETARY MIKE JOHANNIS TO USDA'S ANNUAL AGRICULTURAL OUTLOOK FORUM

ARLINGTON, VA -- MARCH 1, 2007

SEC. MIKE JOHANNIS: Thank you very much. Well, thank you very much, Chuck, [Conner] for that very, very generous, kind introduction. Chuck says we've worked together a couple of years. We have. But I will tell you, prior to that, as governor of Nebraska, I would be on the phone with Chuck Conner saying, I need to have you come out and speak at the Governor's Ag Forum, or during drought conditions I would call Chuck and try to convince him that we needed more money in Nebraska. So.

That was a great presentation by Ellen [Terpstra] and Keith [Collins] on the latest numbers and trends in agriculture. It certainly helps to set the stage for a few things I want to visit with you about. What I'm going to do is, offer some thoughts here, and then at the end I'll take a couple of questions before I introduce our next speaker.

We're going to give you a lot to think about over the next couple of days, but I do think that probably the underlying theme here is that things have changed in agriculture, and the world has changed around us. But as I think you can see from looking at your programs, agriculture is very much at the center of the issues that are vital to this great nation.

Whether it's achieving energy independence, whether it's improving the environment, or creating a new framework of rules for international trade -- agriculture holds the solutions that can create a more secure and a more prosperous future for not only Americans but for a world.

The traditional mission of growing the food and fiber that our nation and the rest of the world depends on, certainly it's as critical as ever. But agriculture is a bigger house than it used to be, and the doors are open to new missions and new influences and probably most importantly new opportunities.

Now as the Secretary of Agriculture, I see my job, and for that matter, the job of the USDA as one of helping farmers and ranchers and consumers in research and agribusiness communities succeed in a very complex global market -- that's what we have today -- and doing all we can to adapt to the political realities that shape that market.

This means that about the only thing we can offer over the next couple of days that is a constant is that things do change. It means doing things differently. We won't always agree on the best path to take; that's how policy is formulated after all. But I believe we are trying to get to the same place; and that is, a U.S. ag sector that is as competitive internationally as we are domestically, and one that is backed by federal policies that makes sense to our taxpayers who are asked every day to support them.

Whether they live in our smallest towns, the biggest cities, or the fastest-growing suburbs in any part of our nation, our policies must make economic and fiscal sense.

For the past few weeks I've been traveling all over this country talking to groups here in Washington, testifying to Congress on the Hill about the new Farm Bill proposals that we put forward on January 31. These are a road map for ensuring America's farmers and ranchers stay as competitive and as productive into the second decade of the 21st century as they have been in the past.

Now, a lot of hard work went into these proposals, and there was a lot of listening that was done at 52 Farm Bill Forums that we held all across this nation two years ago.

And I think that generally the positive reaction they have received reflects the fact that they have a lot to offer, just simply on the merits.

Let me review if I might a few things. We do propose to preserve a strong safety net for our producers, but make it operate more predictably and operate more efficiently and ensure it is there for farmers when they need that safety net.

We would move toward a more market-based system and away from subsidies tied to price and production which you all know are viewed as market-distorting by the World Trade Organization.

We would fund a greatly expanded commitment to conservation and to renewable energy programs. In fact, that would be an investment of more than \$9 billion in new funds over the next 10 years that will protect more acres from development, capture more environmental and conservation benefits, and overcome the barriers to making cellulosic ethanol an affordable and a widely available alternative fuel.

And we would give broad, new efforts in the area of research and marketing and purchasing support to specialty crops such as fruits and vegetables. In fact, in that area of specialty crops we identify \$5 billion over the next decade.

Now, all of that sounds pretty good to me, but there are those who ask, Well, Mike, why change? Why not just keep what we have in place and extend the '02 Farm Bill for another five years?"

I've said this a number of times in my testimony and as I've been out visiting with farmers. I supported the '02 Farm Bill. Back then I was the governor of Nebraska, and I led the Western Governors and co-led the Midwest Governors in the development of that bill. I personally believe, and I'd say so again today, it was the right answer for that time. We'd gone through several years of declining prices for our commodity crops; we were experiencing exports that quite honestly were falling-- certainly not going anywhere. So strengthening the safety net for farmers with new programs like the countercyclical program, I believed, made good sense.

But as you just saw from the presentations, a lot has changed in five years. The agricultural and economic realities that influenced the '02 Farm Bill, well they have changed. Today we are in the midst of a much stronger farm economy; in fact, in some areas historically strong.

There is no better example of that than the strength of our exports; 2007 is shaping up to be our fourth record year in a row and our eighth straight year of growth. This morning as Ellen previewed, I am announcing that we are revising our agricultural export estimate for this year upwards to \$78 billion. That means we will have a one-year increase, a one-year increase, get this, of \$9.3 billion. And that's the second highest on record.

Now that's led by strong sales of corn and soybeans and pork as well as gains in some of our processed products. This is remarkable performance by U.S. agriculture. As you know, the price of a bushel of corn just reached a 10-year high, and soybean prices are also very strong.

Those two dynamics are helping drive our export performance and much of the rest of the farm economy. But ladies and gentlemen, the strength is much broader than that. In fact, with the exception of cotton, prices for all of our major commodity crops are relatively high.

What all this means is that more farmers are working for themselves instead of for a government check. And you know what? Farmers tell me that's a good thing.

We are in the middle of a boom in demand for renewable energy. New ethanol and biodiesel plants are going up all over the country. Many of them in our rural areas are bringing jobs and economic opportunities that just a few years ago people were ready to proclaim were dead. Just to put it simply, the nation's demand for renewable energies and the goal of achieving greater energy independence that President Bush has set for us have created a strong industrial demand for our agricultural crops.

Now, I believe that this is the bedrock change whose consequences are reshaping agriculture not only today but for years to come. It's probably why an acre of prime farmland in Iowa just sold for \$6,000, a record. You know, I grew up on a farm in Iowa, and I sometimes wonder, did I zig where I should have zagged? Who knows?

We realize that all of this is causing pain for those who rely upon corn to feed animals and as an ingredient in food products. And we are concerned about that. In the long run, balancing the competing demands for corn and meeting the energy goals that President Bush has set for the nation is going to require using other feedstocks like biomass to produce ethanol. That's where we're headed in the future in my judgment.

So to speed the development of cellulosic ethanol as an alternative fuel, we are proposing renewable energy in our Farm Bill proposals that does this: It says, an additional \$500 million for bioenergy and biofuels research, a \$500 million grant program to encourage farmers and ranchers and rural small businesses to invest in alternative energy and energy efficiency projects, and a \$2.1 billion loan guarantee program to support new cellulosic ethanol production projects.

Along with the change being driven by renewable energy, the farm economy is evolving in other ways as well. Specialty crops are a much more important part of our overall agricultural production. The recent run-up in grain prices has definitely shifted the balance some, but the sales value is very close to that of the five traditional commodity

program cops. And I personally believe that it's time we give them more equitable treatment.

They must have fair access to foreign markets, and any nontariff barriers they face must be based upon sound science, not the domestic politics of that country. The international trade scene has also been very dynamic over the past five years. The Doha Development Round of talks, sponsored by the WTO, moved forward, then stopped, but now it's started again.

Reaching an agreement on agricultural subsidies and tariffs is the key to an overall trade agreement at Doha that will cover manufacturing and services as well. Now this administration is absolutely committed to doing everything we can to bring that about.

Economic growth, spurred by trade liberalization, can do tremendous things, not only here but for the developing world, and far more than voluntary aid donations could ever do.

American farmers and ranchers know the importance of foreign trade. We already export about 75 percent of our cotton, 70 percent of our cattle hides, half of our rice crop, and I could go on and on. And we know that the future productivity and output gains we expect from our producers will only make export markets more important over time.

So making our farm policies more consistent with the approaches that have been endorsed by the WTO is an important policy goal. Remember that chart that was up on the wall a few minutes ago showing the gains in the middle class in developing countries? Those are our future customers.

Over the past few years, legal attacks on our existing subsidy programs have been launched under international trade rules. We aggressively fought and defended the complaint against our export subsidies for cotton. That of course was lodged against us by Brazil. But as you know, the rulings have gone against us, and now we're back before the WTO again.

Now Canada, and almost overnight they were joined by other nations, is challenging our subsidy programs for corn. I want to be very clear about something-- we always maintained the position that we are in compliance. We will vigorously defend our programs before anyone. But ladies and gentlemen, it is also my view that it makes no sense to stick with policies that worry us, that paint a bull's-eye on the back of the American farmer.

You see, in my judgment, that's no safety net at all for our farmers. In our Farm Bill proposals, we gave a great deal of attention to restructuring our support programs for commodity producers to make them more efficient, to make them more effective, and to move them towards the so-called green box categories that are not viewed as market-distorting under the trade rules of the WTO.

We believe the changes we have proposed will make these programs more useful to farmers, a better value for taxpayers, and more secure from future challenges.

Several of these changes grew out of comments that we heard from farmers during the forums. Now one subject we heard a lot about was our countercyclical program payments. Farmers told us something very interesting, and I've said it sounded counterintuitive to me at the time. But they showed up at the forums, and they told us that when they had no crop or a small crop but prices for commodities were high, that they couldn't get any help under the program.

But in other years when they had good production and prices held very steady, if not dip a bit because of the high production, they would collect extra money from the program. That's because the program was based solely on price movements, and it didn't take farm revenues or yields into account. You know what? The more we studied their comments, the more we realized what they were telling us was absolutely right.

We should think about change. Some have suggested that we are taking from one group to give to another in our proposals. They imply we are taking what should rightfully go to the program crops in order to do other priorities. I will tell you, I just simply disagree with that assessment, and I think the facts bear out why I disagree.

I'm going to give you some examples of circumstances where program crop producers would have actually fared better had our proposals been in place over the last few years. I'll also highlight for you an example of a situation where some program crop producers would not have collected a payment under our proposals. But I think you will agree that the outcome is reasonable and actually closer to the spirit of the current law of creating a safety net.

Wheat and corn producers would have been better off in 2002 when drought caused yields to drop and prices to rise, supply and demand. Growers collected nothing under our countercyclical program. Nothing. But with the changes that we have proposed, which would calculate payments based on revenues and yields rather than price, they would have been paid \$800 million for wheat and \$400 million for corn. Zero versus \$800 million for wheat, zero versus \$400 million for corn.

In 2004 we had a flipside of the coin. Corn growers achieved record yields, a remarkable year by any definition. Record yields of 160.4 bushels per acre and the price per bushel fell by about 15 percent. What happened? It triggered the countercyclical, and that resulted in about \$.29 a bushel. Corn growers collected about \$2.4 billion under our countercyclical program, but it failed to take into account that because of record yields, market revenue per acre was only down about 4 percent that year, and it was actually 10 percent higher than it had been just two years earlier.

Measured that way, as it would be under our new proposal, the change would not have triggered the countercyclical. You see, we want the countercyclical program to be there as a true safety net, to support farmers when they need it the most, and we believe the changes we've proposed will do that.

We've also tightened our programs in other areas as well, and again it was something that farmers told us about.

Remember when Hurricane Katrina hit in 2005? We had about a two-month interruption of transportation down the Mississippi River that basically slowed down, and at least for a period of days stopped, the flow of grain.

The disruption did ripple across America, and of course it affected the price of corn and soybeans. The price dropped from about \$2.00 a bushel into the area of \$1.55 to \$1.60. At that point in time, farmers went to the FSA Office and they locked in their loan deficiency payments and collected 40 to 45 cents a bushel from the taxpayers. But they still owned the corn, and many of them of course -- no one was going to sell corn at that price unless the banker said they had to -- many of them just simply waited knowing that the price would come back. And it did come back. It recovered. And so the commodity was sold.

So in effect they were paid for losses that really didn't occur. The price came back. This was all completely legal, all completely appropriate under the '02 Farm Bill. You see, I should be able to defend these programs whether I'm in town or on a farm in the country. This cost taxpayers billions of dollars, and I don't think this is what Congress intended.

I don't think Congress intended that this would be a pick-your-time sort of program. I think they intended that we would provide a true safety net for farmers. That's what I believe the thought was in '02 when the bill was passed.

So in our Farm Bill proposals we are saying that you won't be able to do that in the future. And it's good policy. You will have to give up ownership of your crop to collect the loan deficiency payment. We are making other changes in that program as well by reducing the marketing loan rate we offer for commodity crops so it doesn't run ahead of market prices. And create incentives to plant more acres of a crop than the market would justify.

We are also proposing to give farmers an innovative opportunity to opt out of the countercyclical and marketing loan programs altogether. What if a farmer looks out there and says, "You know during the life of this Farm Bill I believe the projections that prices will be high, and therefore I don't believe I will get a countercyclical or a loan deficiency payment."

What we are saying to that producer is, "There may be some conservation items that you wanted to do, and so continue to farm as you farmed, raise your soybeans, your cotton, your corn, whatever. But because of that additional effort for conservation, we will boost your direct payment by 10 percent for the five years of that Farm Bill."

I want to expand a bit on what we are doing in conservation because I think it's truly one of the most exciting things about our proposals. Overall we plan to spend an additional \$7.8 billion on conservation. The largest single piece of additional funding will be \$4.3 billion over 10 years to the EQIP program that addresses a variety of issues. They range from soil conservation to wildlife protection to mitigating air and water pollution, protecting our water resources. Many of these can be applied to working lands and can give farmers and ranchers another income stream.

What we propose to do in revamping our subsidy programs and improving our international trade posture, ladies and gentlemen, is real reform. And the investments we plan to make to support specialty crops, conservation, renewable energy are historic and major commitments.

Unfortunately, all of this would be lost if we went back to where I started my comments with, Let's just redo what we did in '02. You know, I just believe we can't turn back the clock. The changes going on around the world are going to continue. The reforms we have proposed would spend \$10 billion less over the next five years than the '02 Farm Bill spent the past five years, excluding disaster aid. Yet it will provide \$5 billion more for producers and rural development that would not be available if we simply extended the '02 bill.

We believe our proposals have struck the right balance between a strong safety net and funding emerging priorities. Any greater increase in spending would make it very difficult to fit our package within the President's plan to balance the budget by 2012. And at a time when everybody -- taxpayers, the administration and Congress -- is talking about the importance of spending federal dollars more wisely, I think it would be very difficult to make the case that we should increase Farm Bill spending over and above the increase that we have proposed.

Let me just wrap up with this. As the discussion over the Farm Bill continues in the months ahead, I hope all of you will give serious thought to the issues that we are raising over the next couple of days. Of course I encourage you to join in the debate, make your voices heard. Your voices began this process in developing our proposals, and your voices should continue to carry weight as the debate moves forward.

Thank you very much.

[Applause.]

I am informed that our next speaker is here, but as I promised maybe I'll take a question at least, and then I would like to introduce Al Hubbard.

Questions, anybody? Yes, sir. We're going to get you a microphone. Right up here. There you are.

QUESTION: Mr. Secretary, my concern is the average age of the farmer in this country. Where are we at? When I say average age, I think the average age is 65 years old. Now where are we headed in the way of raising food or what are we doing to give our young farmers, our people who would like to get into farming an incentive to step aboard in agriculture so to speak and to make a living? This is where everything's at. So this is my question.

SEC. JOHANNIS: Great. Great question. You're right, the average age of farmers today is actually about my age. And that's trouble.

[Laughter.]

I wish I could tell you in response to your question that I figured out a way to turn back the clock, but that's a much, much higher power. You're going to like my answer, although I could not devote time to it in my speech. In our Farm Bill proposals we have a whole section devoted to the beginning farmer.

For example, one of the things that we are proposing for a program crop farmer is, we'll boost the direct payment by 20 percent in the first five years they farm. So in the first five years for that farmer, we'll enhance their direct payment in addition to everything else we're doing. We've targeted conservation funds for them. We've improved the loan situation for them and a whole series of proposals that just makes it easier to access our loan. We've reduced the interest rate.

So again, I think we have the most bold initiative for beginning farmers that maybe we've ever seen in a Farm Bill focused on that very issue that you've raised; and that is that, my friend, you and I aren't getting any younger, right?

So with that, I am going to introduce our speaker because I know he stays on a very tight schedule. It is my pleasure today to introduce really a good friend of agriculture and a good friend of mine, Allan Hubbard.



2007 Farm Bill Proposals

U.S. Department of Agriculture

“We need farm policy that recognizes the tremendous potential of American agriculture. These proposals do just that. We listened to the people and now deliver our proposals for America’s farm bill.”

- Mike Johanns, Secretary of Agriculture



Purpose of Farm Bill Legislation



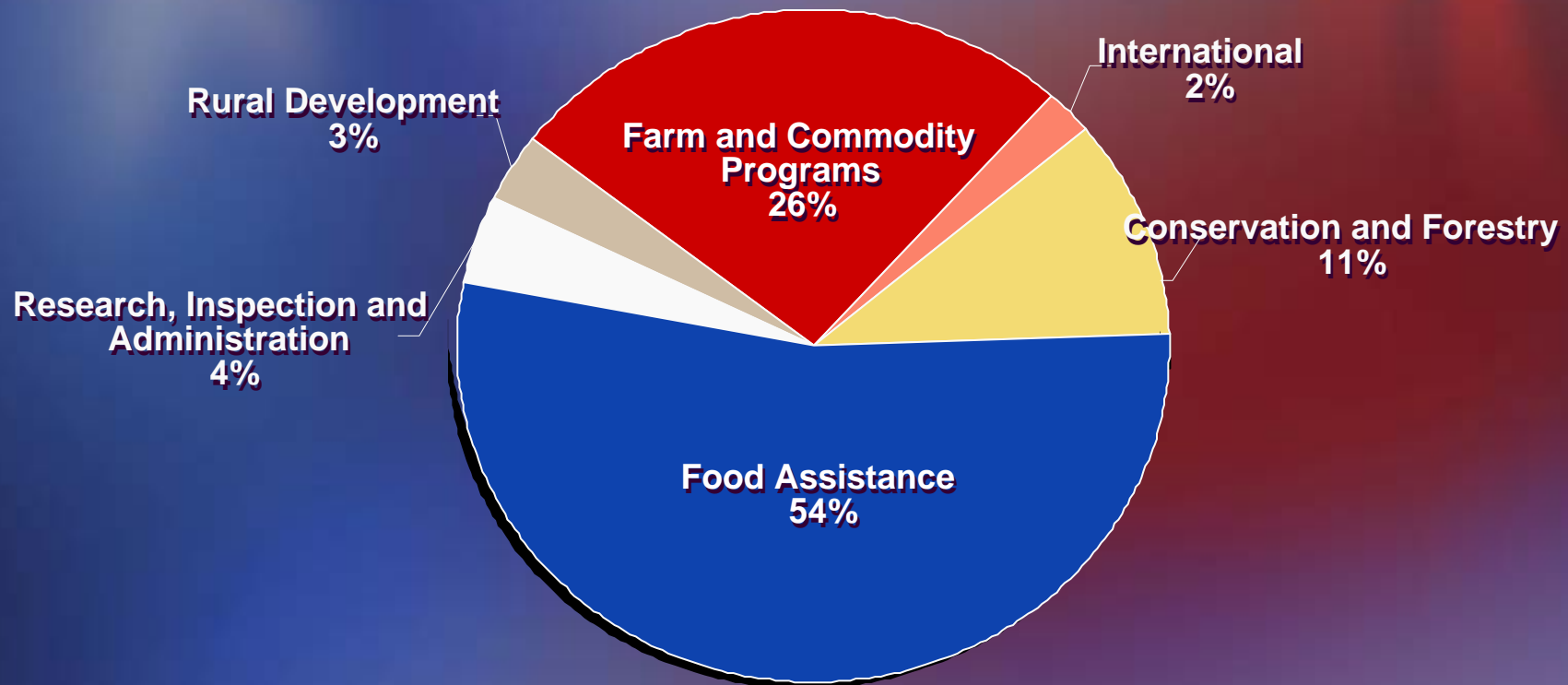
- **The farm bill authorizes USDA's:**
 - Commodity program support
 - Conservation and Forestry
 - Renewable Energy
 - Research
 - Trade
 - Food stamps and other nutrition assistance
 - Rural Development
- **The current farm bill expires with the 2007 crop year**



USDA Budget



FY 2006 Budget Outlays





2002 Farm Bill



- **The right policy for the times**
 - Commodity prices were low
 - Exports had declined for five straight years
 - Debt to asset ratio was nearly 15 percent
- **2002 payments provided support**
- **First ever farm bill energy title**
- **Expanded conservation programs and increased funding by 80%**



Times Have Changed



- **Commodity prices are strong for most program crops**
- **Exports have increased every year to a record \$68.7 billion in 2006; expectations are \$77 billion for 2007**
- **Lowest debt-to-asset ratio in recorded history; approximately 11% in 2006**
- **Renewable energy is now a significant contributor to rural and agricultural economies**



Grassroots Foundation



“The next farm bill should further strengthen the farm economy and preserve this way of life for farmers and ranchers of the future. Hearing your advice is an important step towards meeting these goals.”

— President George W. Bush

■ We listened:

- 52 Farm Bill Forums in 48 states
- 4,000 comments received
- 41 summary papers compiled
- 5 analysis papers authored by USDA economists



What We've Learned Since 2002...



“While the current farm program has served its purpose for the last several years, it is time to move on and craft a new, better farm bill. To create such we need to look at the success and failures of the current farm bill with a goal of improving upon this bill.”

- Kenneth from TX



What We've Learned Since 2002...



“We urge you... to carefully review how well the current farm act is working for U.S. agriculture and consider ways to maintain the current farm act's structure as we go forward to begin debate on the 2007 bill.”

- Larry from Missouri



What We've Learned Since 2002...



“Farm bill policies are supposed to preserve the family farms, but they disproportionately channel money to big agribusiness.”

- Kristina from Virginia

“The 1031 is just driving our land rents and land prices to where the average producer, even big producers, can’t compete.”

- Len from Wisconsin



What We've Learned Since 2002...



“Too often our farm policy focus is only on prices. The focus, we feel, should be on revenue which takes into account both prices and yields... [The current farm bill] tends to overcompensate when it should not and under compensate when more assistance is needed...”

- Ernie from Nebraska

“We didn't raise anything because of drought. The prices went up and we didn't get any payment; we didn't have anything to sell...”

- John from Kansas



What We've Learned Since 2002...



“If we’re going to play in this free trade game and continue to support our farmers, then we need to trade proof our programs...”

- Rusty from Georgia

“As the program exists right now, there are in fact no limits on commodity payments that can be received...”

- Ellen from North Dakota



What We've Learned Since 2002...



“Historically, the farm bill has benefited a small but crucial group of farmers. However, by supporting expansion [of fruit and vegetable purchases]... we have the unique opportunity to use the 2007 farm bill to directly and positively impact the health of our children and begin to reverse a dangerous trend toward obesity.”

- James from New York



Principles of Reform and Fiscal Responsibility



■ More Predictable

- These proposals are market-oriented and provide support when revenue is low despite high prices

■ More Equitable

- These proposals distribute resources more equitably among producers and among commodities

■ Better Able to Withstand Challenge

- These proposals transition toward market-based programs and away from programs tied to price or production

■ Wisely and effectively spend taxpayer dollars

- These proposals consolidate and streamline USDA programs to increase effectiveness and focus on providing a strong safety net



Title 1: Commodity Programs

All funding reflects 10-year totals unless otherwise noted



Title I: Commodity



- **Revise Marketing Loan Rates:**
 - Set loan rates based upon average market price of last five years (excluding high and low years)
 - Cap loan rates at levels established by House-approved 2002 farm bill
 - Change from daily posted county price to monthly
- **Increase direct payments by \$5.5 billion**
 - More predictable payment creates a strong safety net
 - Not tied to price or production
- **Create revenue-based counter-cyclical program**
 - Provide greater support in significant loss situations
 - Targets support to be a true safety net



Title I: Commodity



- **Tighten payment limits; eliminate the three-entity rule and lower the Adjusted Gross Income (AGI) cap from \$2.5 million to \$200,000**
 - AGI = gross income minus farm expenses and other deductions
 - Targets support to be a true safety net
 - Only 2.3% of Americans have AGI above \$200,000
- **Provide conservation enhanced payment option**
 - Option to replace commodity support payments with enhanced direct payments for conservation commitments
 - Proposed increased direct payment plus 10 percent
 - Less market distortion and more environmental benefits



Title I: Commodity



- **Eliminate commodity program payments on land acquired through a 1031 tax exchange**
 - Addresses artificially high land values
- **Revise the Milk Income Loss Contract Program to make it consistent with other counter-cyclical programs**
 - Continue price support program for milk
- **Continue sugar program at no net cost to taxpayers**
 - Balance supply and demand through domestic marketing allotments



Title I: Commodity



- **Allow planting flexibility of fruits, vegetables and wild rice on program crop base acres**
 - Complies with WTO ruling
- **Require base acreage retirement when all or a portion of cropland is sold for non-agriculture use**
- **Expand conservation compliance**
 - Eliminate USDA program payment eligibility on grasslands converted into crop production

Title II: Conservation Programs

All funding reflects 10-year totals unless otherwise noted



Title II: Conservation



- **Increase conservation funding by \$7.8 billion**
- **Consolidate existing cost-share programs into a newly designed Environmental Quality Incentives Program (EQIP)**
 - Increase total funding by \$4.2 billion
 - Includes \$1.7 billion for a Regional Water Program
- **Streamline working lands easement programs into one Private Lands Protection Program**
 - Increase funding by \$900 million
 - Eliminate redundancies



Title II: Conservation



- **Increase Wetlands Reserve Program funding by \$2.1 billion**
 - Increase enrollment cap from 2.3 to 3.5 million acres

- **Increase funding for the Conservation Security Program by \$500 million**
 - Provide incentives for increased conservation



Title II: Conservation



- **Reauthorize the Conservation Reserve Program with added focus on the most environmentally sensitive lands**
 - Give priority within whole field enrollments to lands utilized for biomass production
- **Authorize Federal agencies to accelerate the development of private markets for the trading of ecosystem benefits associated with conservation**



Title II: Conservation



- **Consolidate two emergency response programs into a new Emergency Landscape Restoration Program**
 - Provide a one-stop source when emergency conservation assistance is needed
- **Set aside 10 percent of all farm bill conservation program spending for beginning and socially disadvantaged farmers**

Title III: Trade Programs

All funding reflects 10-year totals unless otherwise noted



Title III: Trade



- **Increase funding by \$68 million for specialty crop technical assistance grants**
 - Increase allowable project award to \$500,000
- **Increase funding for the Market Access Program by \$250 million**
 - Target non-program commodities
- **Establish a new grant program to address emerging sanitary and phytosanitary issues**



Title III: Trade



- Enhance U.S. presence within international standard setting bodies
- Increase analytical support and other technical assistance to assist limited resource U.S. agriculture groups in trade disputes
- Expand trade capacity, food safety and agriculture extension programs in fragile regions around the world



Title III: Trade



- Reform the Commodity Credit Corporation's export credit guarantee programs to better withstand challenge
- Repeal the Global Marketing Strategy and Export Enhancement Program, which are redundant or inactive, allowing USDA to focus resources on priority issues

Title IV: Nutrition Programs

All funding reflects 10-year totals unless otherwise noted



Title IV: Nutrition



- **Simplify and modernize the Food Stamp Program, while maintaining its integrity**
 - Improve access for the working poor and elderly
 - Better reflect the needs of recipients and States
 - Rename program “Food and Nutrition Program”
- **Streamline other food assistance programs to improve administration and efficiency**
 - The Emergency Food Assistance Program
 - Food Distribution on Indian Reservations
 - Senior Farmers’ Market Nutrition Program



Title IV: Nutrition



- **Provide \$2.75 billion in additional fruit and vegetable purchases for distribution in food assistance programs**
- **Increase funding by \$500 million to purchase fruits and vegetables for school meals**
- **Provide \$100 million for competitive grants to States to develop and test solutions to the rising problem of obesity in low-income areas**

Title V: Credit Programs

All funding reflects 10-year totals unless otherwise noted



Title V: Credit



- Increase the limits for direct ownership loans and direct operating loans to a combined maximum of \$500,000
- Double the percentage of direct operating loans targeted to beginning and socially disadvantaged producers to 70%
- Target 100% of direct farm ownership loans toward beginning and socially disadvantaged farmers and ranchers



Title V: Credit



- **Provide greater downpayment loan access and flexibility for beginning farmers and ranchers**
 - Cut the loan interest rate in half
 - Defer the first payment for one year
 - Decrease the minimum contribution toward the property purchase price from ten to five percent
 - Eliminate the \$250,000 cap on the value of property that may be purchased

Title VI: Rural Development Programs

All funding reflects 10-year totals unless otherwise noted



Title VI: Rural Development



- **Consolidate rural development programs to increase flexibility and efficiency**
- **Provide \$1.6 billion in loans to complete the rehabilitation of all 1,283 certified Rural Critical Access Hospitals**



Title VI: Rural Development



- **Provide an additional \$500 million to reduce the backlog of rural infrastructure projects**
 - Water and waste disposal loans and grants
 - Emergency water assistance grants
 - Community Facilities loan and grant programs
 - Distance learning and telemedicine grants

Title VII: Research Programs

All funding reflects 10-year totals unless otherwise noted



Title VII: Research



- **Provide \$1 billion for specialty crops research**
 - Advance plant breeding genetics and genomics
- **Provide \$500 million to create the Agricultural Bioenergy and Biobased Products Research Initiative**
 - Enhance the production and conversion of biomass to renewable fuels and related products
- **Reorganize and revitalize USDA's research, education and economics mission**
 - Better coordinate internal USDA research with external university research funded by USDA



Title VIII: Forestry Programs

All funding reflects 10-year totals unless otherwise noted



Title VIII: Forestry



- **Initiate a new \$150 million Wood to Energy Program**
 - Accelerate development of new technologies to use low-value woody biomass to produce energy

- **Create a grant program to develop innovative solutions to local forest management issues**

Title IX: Energy Programs

All funding reflects 10-year totals unless otherwise noted



Title IX: Energy



- **Provide \$500 million to create a Bioenergy and Bioproducts Research Program**
 - Increase cost-effectiveness through cooperation between university and Federal scientists
- **Provide \$500 million for rural alternative energy and energy efficiency grants**
 - Directly assists farmers, ranchers, and rural small businesses



Title IX: Energy



- Provide \$2.1 billion in loan guarantees to support cellulosic ethanol projects in rural areas
- Provide \$150 million for biomass research competitive grants, focusing on cellulosic ethanol

Title X: Miscellaneous Programs

All funding reflects 10-year totals unless otherwise noted



Title X: Miscellaneous



- **Improve risk management tools for farmers by creating a supplemental insurance program**
- **Increase the efficiency and effectiveness of the crop insurance program**
- **Revise dairy assessment requirements to create a more fair system**
- **Increase funding for research, data collection and certification for organic agriculture**

Areas of Special Focus

All funding reflects 10-year totals unless otherwise noted



Disaster Relief



- Revenue-based counter-cyclical program
- Gap coverage in crop insurance
- Link crop insurance participation to farm program participation
- New emergency landscape restoration program



Beginning and Socially Disadvantaged Producers



- **Provide \$250 million to increase direct payments by 20% for five years for beginning farmers and ranchers**
- **Revise the Beginning Farmer and Rancher Downpayment Loan Program**
 - **Provide more flexibility and access to loans at a lower interest rate**
 - **Add socially disadvantaged producers as eligible applicants**
- **Reserve 10 percent of conservation financial assistance for beginning and socially disadvantaged producers**



Support for Specialty Crops



- Provide \$2.75 billion in Section 32 funds to purchase fruits and vegetables for food assistance programs
- Provide \$500 million to increase the purchase of fruits and vegetables in school meals
- Provide a \$250 million increase for the Market Access Program – targeted for non-program commodities



Support for Specialty Crops



- **Provide \$20 million to address international sanitary and phytosanitary (SPS) issues**
- **Increase Technical Assistance for Specialty Crops**
- **Make specialty crop waste eligible under energy programs**

Summary Highlights

“These proposals represent a reform-minded and fiscally responsible approach to making farm policy more equitable, predictable and protected from challenge.”

-Mike Johanns, Secretary of Agriculture



Summary Highlights



■ Demonstrate fiscal responsibility

- Save approximately \$10 billion dollars over 2002 farm bill spending (for the past five years)
- Uphold President Bush's plan to eliminate the deficit within five years

■ Support emerging priorities

- Increase funding for renewable energy, conservation, research, rural development and trade
- Provide \$5 billion more than would have been provided if the 2002 farm bill were extended



Summary Highlights



■ Tighten payment limits

- End commodity program subsidies to producers whose Adjusted Gross Income is in the top 2.3% of Americans (\$200,000 or higher)
- Eliminate the three entity rule, set limit at \$360,000

■ Ensure a strong safety net for producers

- Close gaps that currently leave producers without a safety net in low yield situations
- Increase direct payments to provide a more predictable safety net that will withstand challenge



Summary Highlights



- **Increase conservation funding by \$7.8 billion**
 - Simplify and consolidate programs
 - Create new Environmental Quality Incentives and Regional Water programs

- **Provide \$1.6 billion in new funding for renewable energy research, development and production**
 - Target cellulosic ethanol production
 - Support \$2.1 billion in loan guarantees for cellulosic projects and \$150 million in grants



Summary Highlights



- **Provide \$1 billion in loans and \$500 million in grants for rural communities**
 - Rehabilitate all current rural critical access hospitals
 - Decrease the backlog of rural infrastructure projects
 - Consolidate and simplify rural development programs

- **Dedicate nearly \$400 million to trade efforts**
 - Expand exports
 - Fight trade barriers
 - Expand involvement in world trade standards



Summary Highlights



- **Target nearly \$5 billion in funding to support specialty crop producers**
 - Purchase fruits and vegetables, fund research, fight trade barriers, expand markets
- **Provide \$250 million to increase direct payments for beginning farmers and ranchers**
 - Reserve conservation funds to support beginners
 - Provide more loan flexibility for downpayments and land purchases



Summary Highlights



- **Support socially disadvantaged farmers**
 - Reserve portion of conservation assistance funds
 - Increase access to downpayment and direct operating loans

- **Simplify, modernize, and rename the Food Stamp Program**
 - Improve access for the working poor
 - Better reflect the needs of recipients and States
 - Strengthen program integrity



2007 Farm Bill Proposals

U.S. Department of Agriculture

“We need farm policy that recognizes the tremendous potential of American agriculture. These proposals do just that. We listened to the people and now deliver our proposals for America’s farm bill.”

- Mike Johanns, Secretary of Agriculture