

# HEARING TO REVIEW THE STATE OF THE FARM ECONOMY

---

---

## HEARING BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES ONE HUNDRED TWELFTH CONGRESS FIRST SESSION

—  
FEBRUARY 17, 2011  
—

**Serial No. 112-4**



Printed for the use of the Committee on Agriculture  
*agriculture.house.gov*

—  
U.S. GOVERNMENT PRINTING OFFICE

64-690 PDF

WASHINGTON : 2011

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

## COMMITTEE ON AGRICULTURE

FRANK D. LUCAS, Oklahoma, *Chairman*

BOB GOODLATTE, Virginia, <i>Vice Chairman</i>	COLLIN C. PETERSON, Minnesota, <i>Ranking Minority Member</i>
TIMOTHY V. JOHNSON, Illinois	TIM HOLDEN, Pennsylvania
STEVE KING, Iowa	MIKE McINTYRE, North Carolina
RANDY NEUGEBAUER, Texas	LEONARD L. BOSWELL, Iowa
K. MICHAEL CONAWAY, Texas	JOE BACA, California
JEFF FORTENBERRY, Nebraska	DENNIS A. CARDOZA, California
JEAN SCHMIDT, Ohio	DAVID SCOTT, Georgia
GLENN THOMPSON, Pennsylvania	HENRY CUELLAR, Texas
THOMAS J. ROONEY, Florida	JIM COSTA, California
MARLIN A. STUTZMAN, Indiana	TIMOTHY J. WALZ, Minnesota
BOB GIBBS, Ohio	KURT SCHRADER, Oregon
AUSTIN SCOTT, Georgia	LARRY KISSELL, North Carolina
STEPHEN LEE FINCHER, Tennessee	WILLIAM L. OWENS, New York
SCOTT R. TIPTON, Colorado	CHELLIE PINGREE, Maine
STEVE SOUTHERLAND II, Florida	JOE COURTNEY, Connecticut
ERIC A. "RICK" CRAWFORD, Arkansas	PETER WELCH, Vermont
MARTHA ROBY, Alabama	MARCIA L. FUDGE, Ohio
TIM HUELSKAMP, Kansas	GREGORIO KILILI CAMACHO SABLÁN, Northern Mariana Islands
SCOTT DESJARLAIS, Tennessee	TERRI A. SEWELL, Alabama
RENEE L. ELLMERS, North Carolina	JAMES P. MCGOVERN, Massachusetts
CHRISTOPHER P. GIBSON, New York	
RANDY HULTGREN, Illinois	
VICKY HARTZLER, Missouri	
ROBERT T. SCHILLING, Illinois	
REID J. RIBBLE, Wisconsin	

---

## PROFESSIONAL STAFF

NICOLE SCOTT, *Staff Director*  
KEVIN J. KRAMP, *Chief Counsel*  
TAMARA HINTON, *Communications Director*  
ROBERT L. LAREW, *Minority Staff Director*

## CONTENTS

---

	Page
Lucas, Hon. Frank D., a Representative in Congress from Oklahoma, opening statement .....	1
Prepared statement .....	3
Peterson, Hon. Collin C., a Representative in Congress from Minnesota, opening statement .....	4
WITNESS	
Vilsack, Hon. Thomas J., Secretary, U.S. Department of Agriculture, Washington, D.C. ....	5
Prepared statement .....	7
Submitted questions .....	51



## HEARING TO REVIEW THE STATE OF THE FARM ECONOMY

---

THURSDAY, FEBRUARY 17, 2011

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Committee met, pursuant to call, at 11:30 a.m., in Room 1300, Longworth House Office Building, Hon. Frank D. Lucas [Chairman of the Committee] presiding.

Members present: Representatives Lucas, Johnson, King, Neugebauer, Conaway, Schmidt, Thompson, Gibbs, Austin Scott of Georgia, Fincher, Southerland, Crawford, Roby, Huelskamp, DesJarlais, Ellmers, Gibson, Hultgren, Hartzler, Schilling, Ribble, Peterson, Holden, McIntyre, Boswell, Baca, Cuellar, Costa, Schrader, Kissell, Owens, Pingree, Courtney, and McGovern.

Staff present: Mike Dunlap, John Goldberg, John Konya, Josh Maxwell, Nicole Scott, Debbie Smith, Pelham Straughn, Richard G. Thomson, Nona Darrell, Nathan Fretz, Liz Friedlander, Craig Jagger, Keith Jones, Mary Knigge, Scott Kushmider, Clark Ogilvie, Lisa Shelton, Anne Simmons, and Jamie W. Mitchell.

### OPENING STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS FROM OKLAHOMA

The CHAIRMAN. The Committee on Agriculture hearing to review the state of the farm economy will come to order.

This morning's hearing focuses on the state of the farm economy. With all of the bad news out there today, it is nice to have something good to report. The state of the U.S. farm economy is strong. Our nation's producers are generally experiencing good prices and solid production. The USDA is forecasting record-high income and exports.

Importantly, despite the higher farm gate prices, last year's rate of inflation for food costs that consumers pay at the grocery store, was the lowest on record since 1962. And it is expected to track with the same average rate of inflation this year. Yet despite the good news, those of us who have been around agriculture know all too well that things can change quickly.

The agricultural economy is highly cyclical, and it changes like the weather in western Oklahoma: sharp, fast, and without notice. This reality helps explain why the mood in farm country today is both upbeat and apprehensive. After all, increasing production costs, lost equity, and fast-rising farm debt may be manageable for producers with strong prices and production, but they spell big trouble for those without.

These facts, along with experience, offer a cautionary note to everyone who might be tempted to cite current economic conditions on the farm as the predicate for setting long-term farm policies.

Some outside this room might even ask, why should anyone other than those directly involved in agriculture care about the state of the farm economy. I offer three reasons. First, as the Federal Reserve points out, thanks to production agriculture, rural America is leading the U.S. economic recovery, just as it did through the last recession.

Second, food security remains important to national security. In fact, NPR made this point in a recent story entitled, *Rising Food Prices Can Topple Governments, Too*.

Third, there will be nine billion people on this planet by the year 2050. We will need to double production, using less water and land in order to feed all of them. These facts are a wake-up call to everyone who believes that agriculture no longer matters to our economy. But there is another eye-opener.

Some of you may have seen the black bumper stickers with a blue line across them, with that thin blue line representing our police force. Well, today, there are just 210,000 Americans out there who are responsible for 80 percent of U.S. agricultural production. These Americans support our economy, help keep us secure, and in those 210,000 people lies the answer to the question of how we are going to feed nine billion people come the year 2050. In short, these American men and women form a very thin line that we better hold.

So the question becomes: Are our Federal policies that we are pursuing today going to hold or break this line? Unfortunately, on a range of issues, new policies coming out of Washington are threatening to punch a hole clear through it. We know that the EPA has opened up at least ten assaults on agriculture, including the strange objectives of eliminating dust on farms and treating milk on farms as if it were oil. But to put it plainly, EPA is gambling with our economy and wasting taxpayer dollars while they are at it.

Irrational environmental policy is also jeopardizing our energy production capacity that, even without the regulation of greenhouse gases, is fast approaching a crisis. And by imposing margin requirements on end-users under last year's financial regulatory reform, Washington has actually managed to add fuel to the fire.

I also feel a very subtle push from the Department that seems to take for granted these 210,000 Americans who are producing 80 percent of our food. There seems to be a prioritization on a small subset of producers in order to satisfy certain constituencies.

I think all of the Members of this Committee support marketing opportunities such as organic production, farmers markets, and local production, but organic production and these other seeming priorities of the Department will not feed the nine billion souls that will soon inhabit this planet.

I do believe the Secretary has agriculture's best interests at heart, and I want to work with him to be an advocate for farmers and ranchers both inside the Administration and here in Congress.

The bottom line is Washington is being met with a critical choice that will have major consequences down the road: We can promote

the one piece of good news out there today, or we can pour cold water on it.

Fortunately, promoting American agriculture is simple. Washington can, first of all, support fiscally responsible policies that help level the international playing field; second, we can support risk management tools so that producers don't go without something as basic as insurance; third, support policies that create a pro-growth, business-friendly environment that promotes U.S. competitiveness. And, of course, finally, the fourth, Washington can just simply get out of the way. I believe for most of us in this room, the choice is clear.

I look forward to hearing the testimony of Secretary Vilsack and the views of my colleagues on the state of the farm economy and on the direction of Federal farm policies that could make or break it.

Now before I turn to yield to my good friend, Mr. Peterson, I would simply express a particular appreciation for the Secretary's patience today. We started with a series of 15 votes this morning as we work our way through this open process on the continuing resolution to fund the rest of the government. I would serve notice to my colleagues here that the Secretary has to appear this afternoon before the Senate Agriculture Committee. He has a very hard deadline of being gone by or before 2 p.m., so we want to be respectful of his time.

[The prepared statement of Mr. Lucas follows:]

PREPARED STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS  
FROM OKLAHOMA

This morning's hearing focuses on the state of the farm economy.

With all the bad news out there today, it is nice to have something good to report: the state of the U.S. farm economy is strong. Our nation's producers are generally experiencing good prices and solid production. USDA is forecasting record high income and exports.

Importantly, despite the higher farm gate prices, last year's rate of inflation for food costs that consumers pay at the grocery store was the lowest on record since 1962, and it is expected to track with the average rate of inflation this year.

Yet, despite the good news, those of us who have been around agriculture know all too well that things can turn quickly.

The agriculture economy is highly cyclical and it changes like the weather in western Oklahoma: fast, sharp, and without notice. This reality helps explain why the mood in farm country today is both upbeat and apprehensive. After all, increasing production costs, lost equity, and fast rising farm debt may be manageable for producers with strong prices and production—but they spell big trouble for those without.

These facts, along with experience, offer a cautionary note to anyone who might be tempted to cite current economic conditions on the farm as the predicate for setting long term farm policies.

Some outside this room may even ask: why should anyone other than those directly involved in agriculture care about the state of the farm economy?

I offer three reasons:

First, as the Federal Reserve puts it, thanks to production agriculture, "rural America is leading the U.S. economic recovery," just as it did through the last recession.

Second, food security remains important to national security. In fact, NPR made this point in a recent story entitled, "Rising Food Prices Can Topple Governments, Too".

And, third, there will be nine billion people on this planet by the year 2050 and we will need to double production, using less water and land, in order to feed them all.

These facts are a wake-up call to anyone who believes that agriculture no longer matters to our economy. But there is another eye-opener.

Some of you may have seen the black bumper stickers with a thin blue line across them, with that thin blue line representing our police force. Well, today, there are just 210,000 Americans out there who are responsible for 80% of U.S. agricultural production.

These Americans support our economy, help keep us secure, and in these 210,000 people lies the answer to the question of how we are going to feed nine billion people come the year 2050. In short, these American men and women form a very thin line that we had better hold.

So, the question becomes, are the Federal policies that we are pursuing today going to hold or break this line? Unfortunately, on a range of issues, new policies coming out of Washington are threatening to punch a hole clear through it.

We know that EPA has opened up at least ten assaults on agriculture, including the strange objectives of eliminating dust on farms and treating milk on farms as if it was oil. To put it plainly, EPA is gambling with our economy and wasting taxpayer dollars while it's at it.

Irrational environmental policy is also jeopardizing our energy production capacity that, even without the regulation of greenhouse gases, is fast approaching a crisis. And, by imposing margin requirements on end-users under last year's financial regulatory reform, Washington has actually managed to add fuel to the fire.

I also feel a very subtle push from the Department that seems to take for granted these 210,000 Americans that are producing 80% of our food. There seems to be a prioritization on a small subsection of producers in order to satisfy certain constituencies. I think all of the Members of this Committee support marketing opportunities such as organic production, farmers markets, and local production but organic production and these other seeming priorities of the Department will NOT FEED the NINE billion souls that will inhabit the planet.

I do believe the Secretary has agriculture's best interests at heart and I want to work with him to be an advocate for farmers and ranchers both inside the Administration and here in Congress.

The bottom line is Washington is being met with a critical choice that will have major consequences down the road: we can promote the one piece of good news out there today or we can pour cold water on it.

Fortunately, promoting American agriculture is simple. Washington can: (1) support fiscally responsible policies that help level the international playing field; (2) support risk management tools so producers don't go without something as basic as insurance; (3) support policies that create a pro-growth, business-friendly environment that promotes U.S. competitiveness; and, finally, (4) Washington should just get out of the way.

I believe for most of us in this room, the choice is clear.

I look forward to hearing the testimony of Secretary Vilsack and the views of my colleagues on the state of the farm economy and on the direction of Federal policies that could make or break it.

And now I yield to my good friend, Mr. Peterson, for any remarks he may have.

The CHAIRMAN. With that, I turn to my colleague, Mr. Peterson, the Ranking Member, for his opening statement.

#### **OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA**

Mr. PETERSON. Welcome, Secretary Vilsack, back to the Committee. I associate myself with the remarks of the Chairman. I will try to keep my remarks brief so we can get this done.

The farm economy is in pretty good shape. Our farmers and ranchers have been having a good time due in large part to their own efforts; but I also believe that the strong farm bill that we passed in 2008 deserves some of the credit for having stability in the farm economy. Actually, the farm economy is probably the only part of the economy that is actually solid, and has been solid primarily through these last years here where we have been having trouble.

We have had problems in dairy. It is not quite as bad now, but there are problems there. And there are people who are still not



recovered, and we hopefully will be able to address that this year. It seems like they are coming together around a new policy. I agree with the Chairman when he says that part of what we have to do is just kind of get out of the way.

Those of us on our side are also concerned about all of these regulations and rules that are being promoted by other agencies that are not in our jurisdiction. Some of them are, frankly, pretty ridiculous, and some of my farmers are getting pretty fed up with it.

We look forward to working with our colleagues on the other side of the aisle to see what we can do. Unfortunately, a lot of it is not in our jurisdiction. I wish it was, so we could straighten it out.

We are looking forward to working with the Majority to make sure that we continue to have a strong safety net, a strong farm bill to undergird agriculture. Today's hearing is a good place to start. We have a lot of new Members. This will help their education process.

I remember when I started on the Committee many years ago, I was way down in the front and I didn't think I would ever see the top row. Some of you new guys are already on the top row so you are already ahead of the game. We have a lot of work to do, a lot of good Members, and I look forward to working with the Chairman and the other Members to make sure that we do the right thing for agriculture.

I yield back.

The CHAIRMAN. I thank the gentleman for his opening statement.

The CHAIRMAN. We now turn to our panelist, the Honorable Tom Vilsack, Secretary, United States Department of Agriculture, Washington, D.C.

Please begin when you are ready, sir.

**STATEMENT OF HON. THOMAS J. VILSACK, SECRETARY, U.S.  
DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.**

Secretary VILSACK. Thank you, Mr. Chairman, and Members of the Committee. Thank you as well for the opportunity and invitation to discuss recent developments in and prospects for the farm economy.

As we enter 2011, the farm economy continues to remain strong with U.S. agricultural exports, farm cash receipts, and net farm income projected at or above previous record levels. Farm household debt levels appear to have stabilized despite increasing land values. And while prospects generally look bright, recent sharp increases in prices for major crops are generating a range of concerns.

My written statement describes the prospects and recent developments in output and input markets and the challenges and opportunities they present for U.S. agriculture. In the short time I have this morning, I would like to touch on a few of the broader trends.

As you may know, recent data tells us that U.S. farm exports reached an all-time high in calendar year 2010. We saw a rise in both the value and volume of U.S. agricultural exports worldwide. Supported by foreign economic growth, particularly in developing countries, U.S. agricultural exports are again expected to be a record high in this fiscal year, up nearly \$18 billion from Fiscal

Year 2010, with the agricultural trade balance forecasted to be a record \$41 billion.

While we are pleased with these record numbers, we remain focused on continuing to open and improve markets for our producers. We know that every \$1 billion in agricultural exports helps to support 8,000 jobs, and we want agriculture to continue to play a leading role in the President's National Export Initiative in helping to reach the goal of doubling exports over the next 5 years.

The other big trend in exports is the increased importance of the Chinese market. The trade numbers just published show that for calendar year 2010, China was our number one export market, edging out Canada, and accounting for a little over 15 percent of exports.

Cash receipts and cash production expenses for producers are forecast to reach record levels in 2011; \$341 billion and \$274 billion respectively. Importantly, receipts are rising faster than expenses, so net cash farm income is forecast at a nominal record of \$99 billion this year, up \$7 billion from last year and nearly \$30 billion more from 2009. After adjusting for inflation, this year and last year should be 2 of the highest income years producers have seen since 1976. So these are good times for American agriculture.

But while all of agriculture experienced a robust recovery in 2010 and forecasted for 2011, expenses are also increasing, especially prices of farm origin inputs like livestock and feed, the price of energy, and operating costs.

The livestock and dairy industries could face some financial pressure in 2011, and bear watching.

At the same time, many small- and mid-sized operations have continued to struggle to earn substantial income from the farm. We need to be aware of this reality, and ensure that our work to expand domestic markets, in particular, helps them succeed. And as we discuss the safety net, we should make sure that we are maintaining a strong safety net for producers who need it most.

On the whole, we are optimistic. The balance sheet of U.S. agriculture should continue to strengthen again in 2011. Consistent with recent trends, increases in debt are forecast to be offset by large increases in farm asset values. What is astonishing is that in 2 years the farm economy has essentially rebuilt the equity lost in 2009. And in 2011, the farm sector's debt-to-asset ratio should drop even further below last year's 11.3 percent.

Our nation's farmers and ranchers should be celebrated for this achievement. Their careful management of debt has played an important role in helping them make a strong and quick rebound from the financial crisis.

Commercial banks across the country say loans are available, although standards are tight, and farmers are increasingly paying them back on time. Exceptions include regions dominated by livestock, milk, and poultry production. Last year, despite low interest rates, there was a lower demand for farm loans than in previous years. At the same time, capital spending was up, probably being financed with cash or non-bank credit. We hope to see this trend continue, especially as a result of the bipartisan tax deal reached in December which provides for 100 percent expensing of business investments like tractors and combines.

Farm real estate values rose by an estimated three percent in 2010 to a record \$1.8 trillion. We expect this trend to continue. While this benefits existing landowners, high real estate values make it difficult for individuals who may wish to enter farming, and increases operating expenses for individuals who rent farmland.

I hope that, moving forward, we can work to confront this issue and others as we look to grow the next generation of farmers and ranchers and producers. This may mean a solution based on sweat equity or another way to provide credit to those who wish to farm in this country. But for the good of our environment, the quality of life we all enjoy, the relatively low cost of food, and for the American economy as a whole, we must keep farmland as farmland and farmers on the farm.

To conclude, as we enter 2011, the U.S. farm economy is coming off unprecedented increases in U.S. agricultural exports, farm cash receipts, farm income, and asset values for the past few years. American agriculture is helping lead the recovery from the worst economic collapse since the Great Depression, and prospects for the coming year are generally bright.

More normal weather and production increases worldwide should lead to improved supply-demand balance in key markets such as wheat, corn, and soybeans. With biofuel demand expected to continue growing, although at a slower pace in the future, a big challenge will be responding to that demand by developing new feedstocks, producing on more acres, and producing more per acre while protecting the environment.

I have the utmost confidence, as I am sure the Committee Members do as well, that our farmers and ranchers and producers, along with assistance from USDA, will be able to meet these challenges.

Mr. Chairman, that completes my statement. I would be happy to answer questions.

[The prepared statement of Secretary Vilsack follows:]

PREPARED STATEMENT OF HON. THOMAS J. VILSACK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Members of the Committee, thank you for the invitation to discuss recent developments in and prospects for the farm economy. As we enter 2011, the farm economy continues to remain strong with U.S. agricultural exports, farm cash receipts and net farm income projected at or above previous record levels. Farm household debt levels appear to have stabilized despite increasing land values. While prospects generally look bright, recent sharp increases in prices for major crops are generating a range of concerns. I will describe the prospects and recent developments in output and input markets and the challenges and opportunities they present for U.S. agriculture.

#### **Agricultural Export Developments**

Despite modest domestic economic growth, economic growth, especially in less developed countries, and the reduced value of the dollar are likely to support global commodity demand, keeping pressure on global supplies and prices for a wide range of agricultural products.

**U.S. agricultural exports setting records.** Supported by foreign economic growth particularly in developing countries and crop production shortfalls around the world, U.S. agricultural exports are expected to be record high this fiscal year. USDA's forecast for U.S. agricultural exports for FY 2011 is a record high \$126.5 billion, up from \$108.7 billion in FY 2010, and the previous record of \$114.9 billion in FY 2008. Imports, too, continue to grow and are expected to reach \$85.5 billion

this fiscal year compared with \$79 billion last year. Nearly half of imports are horticultural products and another fifth are sugar and tropical products such as cocoa, coffee and rubber. This year, the agricultural trade balance is forecast to be a record \$41 billion, up from \$29.7 billion last year.

Soybean and wheat exports are forecast to be up in volume and value because of less foreign competition due to adverse weather conditions in other countries. Corn exports are forecast up in value due to lower U.S. production and weather concerns in South America, while higher cotton export volume and value reflects tightening global stocks and strong Chinese demand. Livestock exports are forecast to rise as the volume and value of beef, pork and poultry exports increase. Horticultural exports are being helped by the decline in the value of the dollar.

Canada is our number one agricultural export market, accounting for 14 percent of expected exports this year. China has moved up to number two, also with a 14 percent share. Mexico is now number three with an expected 13 percent share followed by Japan at number four with a ten percent share and the European Union at number five with a seven percent share.

#### **Farm Income and Retail Food Price Developments**

**U.S. farm income consistently strong.** Cash receipts for producers are forecast at a record \$341 billion in 2011, up \$28 billion from 2010 and \$57 billion from 2009. Cash production expenses are forecast to be a record \$274 billion in 2011, up \$20 billion from 2010 and \$25 billion from 2009. With receipts rising faster than expenses, net cash farm income is forecast at a nominal record of \$99 billion this year, up \$7 billion from last year and nearly \$30 billion from 2009. After adjusting for inflation, 5 of the highest income years since 1976 have occurred during 2004–2011 (2004, 2005, 2008, 2010, and 2011).

Cash receipts for both crops and livestock are forecast to reach new record highs in 2011. Crop cash receipts are forecast to reach \$195 billion in 2011, exceeding the previous record set in 2008 by \$18 billion. Cash receipts for corn, soybeans, cotton, and fruits and nuts are all expected to rise to all-time highs. Cash receipts for wheat will likely be up in 2011 but remain below the record level set in 2008.

Cash receipts from all livestock species are forecast to reach \$146 billion in 2011, exceeding the previous record by \$4 billion. Receipts for cattle, hogs and poultry are all expected to set record highs. Dairy receipts are forecast to increase in 2011, but remain below 2007 and 2008 levels. Government payments to producers in 2011 are expected to total \$10.6 billion, down \$1.6 billion from 2010. In 2011, producers are forecast to receive \$4.7 billion in direct payments, \$3 billion in conservation payments, \$1.9 billion in disaster payments, and \$0.8 billion in tobacco transition program payments. With major crop prices forecast to be near or above previous record high levels in 2011, countercyclical payments and marketing loan benefits are projected to be only \$20 million in the coming year.

The \$20 billion increase in cash production expenses since 2010 is mainly due to a \$4 billion increase in farm origin inputs (livestock, feed), \$6 billion more in energy-based input costs (fuel, fertilizer, electricity, and pesticides), and \$6 billion more in other operating expenses. The year-over-year increase in feed expenses is projected to slightly exceed the increase in livestock cash receipts. If this occurs, livestock and dairy producers could be under added financial pressure in 2011.

The balance sheet of U.S. agriculture is expected to strengthen again in 2011. Consistent with recent trends, increases in debt are forecast to be offset by larger increases in farm asset values. As a result, the farm sector's debt-to-asset ratio should drop further below last year's 11.3 percent in 2011.

**Retail food price inflation to remain modest.** In 2010, the Consumer Price Index (CPI) for all food increased by 0.8 percent, the lowest annual food inflation rate since 1962. The CPI for food-at-home (grocery store) prices increased 0.3 percent, while food-away-from-home (restaurant) prices increased by 1.3 percent. Higher commodity and energy prices are expected to lead to a stronger increase in retail food prices in 2011. For 2011, the CPI for food is currently forecast to increase by two to three percent. During the previous spike in commodity and energy prices in 2007 and 2008, the CPI for food rose by an average of 4.7 percent over the 2 years. The Economic Research Service will update its forecast for the CPI for food for 2011 later this month.

#### **Developments in Farm Output Markets**

**Major crops: global supplies tight.** For the 2010/11 marketing year, global demand is forecast to exceed global production causing global stocks of grains and oilseeds as a percent of use to fall and crop prices to rise. Global wheat production is forecast to decline by 5.5 percent in 2010/11, due primarily to adverse weather and reduced output in Russia, Kazakhstan and Ukraine. For corn, increasing global

use and lower production in the United States is forecast to lead to a 15.6 percent decline in global ending stocks. And, weather-reduced soybean production in Argentina is projected to reduce global soybean stocks.

For the United States, strong export demand for crops has supported above average farm income in recent years. Market fundamentals continue to look strong as growth in demand, limited carryover and weather concerns have contributed to rising prices for most major crops. U.S. carryover of corn, wheat, soybeans and cotton could all decline in 2010/11 as total use is forecast to exceed production.

Higher crop prices will likely lead to increased area seeded to major crops in the U.S. this spring and increased crop production this fall. Assuming normal rainfall over the spring and summer, production of major crops will likely be up in 2011, leading to some rebuilding of carryover and reduced pressure on crop prices.

**Corn carryover tight in 2010/11.** Under nearly ideal planting conditions this past spring, corn producers planted 88.2 million acres, up from 86.4 million in 2009 and the second largest area planted to corn in more than 60 years. Despite the higher acreage, corn production dropped by five percent from last year to 12.4 billion bushels. Total corn use is forecast to reach a record 13.5 billion bushels in 2010/11, reflecting the expanding ethanol industry and continued strong global demand for corn. Stocks of corn at the end of 2010/11 marketing year are forecast to decline by 60 percent to 675 million bushels, resulting in the lowest stock-to-use ratio since 1995/96. The farm price of corn is forecast to average a record \$5.05–\$5.75 per bushel during 2010/11, compared with \$3.55 per bushel in 2009/10 and the previous record of \$4.20 in 2007/08.

**Corn acreage likely up in 2011.** Corn planted area for 2011 is expected to increase as prices and returns have improved considerably in recent months. December 2011 futures prices for corn are currently more than \$2 per bushel above the peak of December 2010 futures last February. Current cash prices are more than \$3 per bushel above February 2010 levels. Given the current outlook for the 2010-crop corn and competing crop prices, corn planted area next spring could increase three to five percent from 2010. Higher plantings combined with a return to trend yields could lead to a record corn crop in 2011 and higher carryover stocks in 2011/12.

**Ethanol growth expected to slow.** U.S. ethanol production capacity is now estimated at 14 billion gallons. Production capacity is expected to increase modestly over the coming 18–24 months. New construction could add 560 million gallons of additional ethanol production capacity, bringing total capacity to about 14.6 billion gallons.

Most ethanol production in the United States currently uses corn as the feedstock. In 2010/11, 4.95 billion bushels of corn are expected to be used to produce ethanol, with ethanol use accounting for 37 percent of total use and 40 percent of corn production. In comparison, 4.57 billion bushels of corn were converted into ethanol in 2009/10 accounting for 35 percent of total use and 35 percent of corn production. In contrast to the increase in ethanol use of 382 million bushels between 2009/10 and 2010/11, corn ending stocks are projected to fall by over 1 billion bushels between the 2 crop years. These figures indicate that declining corn production is the primary factor contributing to the drop in corn carryover this year and the primary factor contributing to the recent increase in corn prices. Furthermore, each bushel of ethanol produced from corn yields byproducts, such as distiller dried grains, which substitute for corn and other feed ingredients in livestock rations.

The profitability of producing ethanol from corn depends on the price of corn, the price of gasoline and the cost of converting corn into ethanol. The returns from producing ethanol from corn increase as the price of gasoline increases providing an incentive to expand ethanol production capacity and to use additional corn for ethanol production. If petroleum and gasoline prices move higher over the next several months, this will increase the demand for ethanol leading to additional corn being used for ethanol production.

**Soybean production down slightly in 2010/11.** Soybean planted area remained essentially unchanged in 2010 but the average yield per acre fell slightly, causing soybean production to fall to 3.33 billion bushels, down one percent from last year's record production but still the second largest crop on record. U.S. soybean exports are expected to increase about six percent from last year's record to 1.6 billion bushels, reflecting lower production and reduced competition from South America and increasing U.S. exports to China. Meanwhile, soybean crush is forecast to decline by 5.5 percent as increasing availability of distiller dried grains and stable livestock production lower the demand for soybean meal. With lower production and little change in total use, carryover levels are forecast to decline seven percent from last year. The farm price of soybeans is forecast to average a record \$11.20–\$12.20

per bushel for the 2010/11 marketing year, compared with \$9.59 last year and the previous record high of \$10.10 in 2007/08.

**Soybean area forecast to increase slightly in 2011.** U.S. soybean planted area is forecast to increase slightly in 2011. Current futures imply a soybean to corn price ratio of 2.2, slightly favoring corn over soybeans. However, rotational practices favor soybeans and strong soybean prices could encourage farmers to plant soybeans on cropland previously planted to rice, sorghum, barley and oats.

**Returns to biodiesel improve.** Fifteen percent of 2010/11 soybean oil production is expected to be used to produce about 380 million gallons of biodiesel. Soybean oil is the feedstock for about 50 percent of domestically produced biodiesel. The amount of soybean oil used in biodiesel production fell by 17 percent in 2009/10 to 1.7 billion pounds, but is expected to increase to 2.9 billion pounds in 2010/11.

**Wheat acreage down, prices up in 2010/11.** For 2010/11, wheat acreage continued its long term decline falling by nearly 6 million acres to 53.6 million, the lowest since 1970. U.S. wheat production is estimated at 2.2 billion bushels, essentially unchanged from the previous year as lower harvested acreage was offset by improved yields per acre. In 2010/11, favorable weather pushed the average yield per harvested acre to a new record high of 46.4 bushels per acre, up 1.5 bushels from the previous record.

Total wheat supplies for 2010/11 are estimated at 3.3 billion bushels, up from 3.0 billion bushels in 2009/10, with higher beginning stocks accounting for all of the increase. Higher forecast exports, reflecting lower production in competitor countries, could increase total use from 2.0 billion bushels in 2009/10 to 2.5 billion in 2010/11, causing U.S. ending stocks to decline 16 percent to 0.8 billion bushels. The average farm price of wheat is forecast to average \$5.60–\$5.80 per bushel in 2010/11, compared with \$4.87 per bushel for the 2009/10 crop and the record high of \$6.78 in 2008/09.

**Wheat area to expand in 2011/12.** Winter wheat seeded area this past fall totaled 41.0 million acres, up from 37.3 million acres the previous year. Despite the recovery in area, wheat production could be down in 2011 as yield per acre drops off from last year's record high. Current winter wheat conditions on the Central and Southern Plains are not as favorable compared with this time a year ago, because of the lack of soil moisture. A much higher percentage of the winter wheat crops in Kansas, Oklahoma and Texas are currently rated poor to very poor than 1 year ago.

**Cotton area and production up as prices increase.** In 2010/11, cotton producers responded to improved returns by increasing planted area by 20 percent. The area planted to cotton, 10.97 million acres, was the highest in 4 years. Cotton area increased across each region of the Cotton Belt in 2010. Higher plantings, reduced abandonment and improved yields are projected to increase cotton production to 18.3 million bales in 2010/11, up 50 percent from the previous year and the highest in 3 years.

U.S. cotton use for the 2010/11 season is forecast at 19.35 million bales, 25 percent above last season. U.S. mill use is forecast to increase slightly while U.S. exports are forecast to increase by nearly  $\frac{1}{3}$ . With larger U.S. exportable supplies available this season and foreign import demand rising, U.S. cotton exports are forecast to increase to their second highest level on record. U.S. ending stocks are forecast to drop to 1.9 million bales in 2010/11, the lowest since 1924/25. Reflecting the low level of stocks, cotton prices have remained relatively high through the early months of the current season. The 2010/11 farm price is forecast to average 79–84¢ per pound, up from last season's price of 62.9¢ and the previous record high of 76.5¢ in 1995/96.

**More cotton area in 2011/12.** Rising cotton prices will likely attract additional acreage back to cotton production in the United States, despite improved returns for corn and soybeans. Cotton planted area in the United States could increase as much as 10–15 percent in 2011. Improved returns could lead producers to plant cotton on cropland previously planted to sorghum, rice and other crops as well as producing cotton on cropland previously left unplanted due to low returns.

**Rice production up, prices moderate.** For 2010/11, rice planted area increased to 3.64 million acres, up from 3.14 million acres the previous year, and the second highest on record. Total rice production is up about 11 percent from last year to a record 243 million cwt. Total use is forecast to increase by five percent in 2010/11, reflecting improvements in both domestic use and export prospects. However, the strong increase in production is expected to lead to a sharp increase in ending stocks, despite higher total use. U.S. ending stocks are projected at 52.8 million cwt. for 2010/11, up 44 percent from last year. The farm price of rice is forecast to average \$12.15–\$12.65 per cwt. in 2010/11, down from \$14.40 per cwt. last season.

**Sugar market remains tight.** World and U.S. sugar prices have remained high, as potentially tight global supplies continue to weigh on the market. In mid-December, Florida's sugarcane producing region experienced a severe freeze. According to processor reports, this freeze resulted in widespread damage to existing sugarcane crops awaiting harvest and recently planted sugarcane meant for harvest next year. Nearly all of Australia's sugarcane production is in the Northeast. That region received very heavy rainfall in November and December damaging that country's sugarcane crop.

U.S. sugar production for 2010/11 is currently estimated at 8.01 million short tons, up from last year's crop of 7.97 million tons. With import quotas for sugar set at the minimum amount to which the United States is committed under the WTO for 2010/11, U.S. sugar imports are forecast to fall to 3.25 million tons, down from 3.32 million tons last season. U.S. sugar ending stocks are projected to decline about ten percent to 1.35 million tons resulting in a stock-to-use ratio of 11.8 percent, down from 13.3 percent last year.

**Specialty crop sales stabilize.** In 2011, specialty crops will continue to provide a significant source of cash revenues for U.S. producers. Cash receipts for fruits, nuts, vegetables and melons in 2011 are forecast at \$41 billion, unchanged from 2010. Higher cash receipts for fruits and nuts are expected to be more than offset by lower receipts for vegetables and melons.

**Livestock & livestock products: U.S. production and prices stable.** Total U.S. production of meat and poultry is forecast to remain stable in calendar year 2011, with slight growth forecast in supplies of pork and poultry but reduced supplies of beef. Stable production, increased exports and some recovery in domestic demand should help maintain livestock prices near last year's historic highs.

For livestock and poultry producers, increasing feed costs will be an important component of producer production decisions in the upcoming year. In January, the price-feed cost ratios for cattle, broilers, hogs and milk, as reported by NASS, were all well below year ago levels. While livestock prices are expected to remain strong and further improvement in milk prices is likely in the months ahead, higher feed costs could lead to below average margins for livestock and dairy producers in 2011.

**Cattle prices forecast record high.** Commercial cow slaughter maintained a high pace during all of 2010. Cow slaughter was the largest in well over a decade, even though the U.S. cow herd on January 1, 2010 was the smallest since 1951. While cattle marketings for the last half of 2011 are expected to be lower year-over-year, net placements in feedlots during 2010 will likely maintain beef supplies during the first half of 2011 near previous year levels. For all of 2011, beef production is currently forecast to decrease 1.5 percent, following a 1.4 percent increase in 2010. Steer prices are expected to average a record \$102–\$109 per cwt. this year, compared with \$95 per cwt. in 2010.

Total North American cattle inventories are at their lowest levels in decades. With smaller Canadian and Mexican inventories expected in 2011, U.S. cattle imports are forecast at 2.1 million head for the year, down from 2.3 million in 2010.

**Pork production to increase slightly.** Pork production in 2011 is estimated to increase by 0.4 percent after falling by 2.4 percent in 2010. While hog prices were up 34 percent in 2010 and are expected to average higher in 2011, increases in feed costs are expected to temper expansion over the next several months. The *Quarterly Hogs and Pigs* report released by USDA on December 27, 2010, showed lower swine inventories and lower farrowing intentions for the first half of 2011. During the first-half of 2011, sow farrowings could be about 1.4 percent lower than in the same period last year.

While smaller breeding animal inventories and lower farrowing intentions often translate into lower pig crops, continued gains in sow productivity are expected to largely offset lower farrowing numbers in 2011. Moreover, continually improving swine genetics and enhanced nutrition management practices are expected to continue to move average dressed weights slightly ahead of last year's average, helping to push pork production slightly ahead of last year's level. Hog prices are forecast to average \$58–\$61 per cwt. in 2011, up from \$55 in 2010 and \$41 in 2009.

**Broiler production to post modest increase in 2011.** The outlook for growth in broiler meat production for the beginning of 2011 has changed considerably over the last several weeks, due to sharp changes in both the weekly number of broiler eggs placed in incubators and the number of chicks being placed for growout. At the end of November, the number of chicks being placed for growout was averaging 5.5 percent higher than the previous year. By the first week of January, the average number of chicks placed for growout was only 0.8 percent higher than in the same period the previous year. This abrupt slowdown is likely the result of sharp increases in feed prices, especially coming at a time when wholesale prices for many broiler products have been declining. Reflecting this slowdown, broiler production is

projected to increase by about one percent in 2011 following a four percent increase in 2010. The price of broilers is forecast to range from 80–85¢ per pound in 2011, compared with 83¢ in 2010 and 78¢ in 2009.

**Milk prices to move higher.** Milk production is estimated to increase by 1.8 percent in 2011 to 196.1 billion pounds. While feed costs are up considerably in recent months, a decline in cow numbers may not occur until later this year because of the large number of replacement heifers available. Milk per cow is forecast to increase again this year but at less than the pace for 2010. The gain in output per cow last year was due to good weather in addition to moderate feed prices.

In recent weeks, both the domestic and international markets for dairy products have tightened considerably leading to a sharp increase in wholesale dairy product prices and futures prices for milk. Milk output has been affected by cold weather in the U.S. and Europe and heavy rains in New Zealand and Australia. Since early January, the wholesale prices of cheddar cheese, butter and nonfat dry milk have increased by 25–50 percent.

The all-milk price is forecast to average \$17.70–\$18.40 per cwt. this year, compared with \$16.29 in 2010 and \$12.93 in 2009. While milk prices are forecast to be higher in 2011, increasing feed costs could continue to put financial pressure on dairy producers, especially those producers that purchase feed at current price levels.

#### **Developments in Farm Credit and Land Markets**

**Credit conditions appear to be improving.** Third quarter 2010 Federal Reserve Bank surveys indicate moderately improving farm credit conditions nationwide. Commercial banks across the country indicated ample availability of loan funds, increased loan repayment by farm borrowers, increased farm incomes, and fewer requests for renewals and extensions than in 2009. Exceptions include regions dominated by livestock, milk and poultry production which indicated slightly worsening farm credit conditions.

Banks in all Federal Reserve Bank districts reported lower demand for farm loans in 2010, despite historical lows for farm interest rates. Capital spending was up, especially for larger items (100-HP tractors and combines). The increased capital spending and reduced loan demand suggests that these items were being financed with cash or non-bank credit.

While farm incomes and credit conditions showed improvement in 2010, Federal Reserve Bank surveys indicate credit standards for banks remain tight. Bankers in all regions except the Kansas City Federal Reserve District reported increased collateral requirements on farm loans.

**Farmland costs move higher.** The value of farm real estate rose by an estimated three percent in 2010, to a record \$1.8 trillion. Strong prices for major crops and record farm income will likely cause the value of farm real estate to move higher in 2011. Farm real estate accounts for 84 percent of total U.S. farm assets and is the principal source of collateral for farm loans. While a benefit for existing landowners, high farm real estate values make it difficult for individuals who may wish to enter farming and increases operating expenses for individuals who rent farmland.

#### **Conclusion**

As we enter 2011, the U.S. farm economy is coming off unprecedented increases in U.S. agricultural exports, farm cash receipts, farm income, and asset values the past few years. Prospects for coming year generally look bright. More normal weather and production increases worldwide should lead to improved supply-demand balance in key markets, such as wheat, corn and soybeans. With biofuel demand expected to continue growing, although at a slower pace in the future, a big challenge will be responding to that demand by producing on more acres and producing more per acre while protecting the environment. I have the utmost confidence that our farmers and ranchers along with the assistance of USDA will be able to meet these challenges.

Mr. Chairman that completes my statement.



ATTACHMENT  
Farm Economic Indicators

Ag. Trade (Bil. \$)	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11F
Total exports	56.0	62.4	62.5	68.6	82.2	114.9	96.3	108.7	126.5
Asia	21.6	24.3	22.5	24.9	29.4	43.2	37.6	45.7	54.8
Canada	9.1	9.5	10.4	11.6	13.3	16.3	15.5	16.6	18.0
Mexico	7.7	8.4	9.3	10.4	12.3	15.2	13.3	13.9	16.0
Total imports	45.7	52.7	57.7	64.0	70.1	79.3	73.4	79.0	85.5
<b>Farm Income (Bil. \$)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>
Cash receipts	216.0	237.9	240.9	240.6	288.5	318.3	283.4	312.3	340.7
Gov't payments	16.5	13.0	24.4	15.8	11.9	12.2	12.3	12.2	10.6
Gross cash income	246.8	266.5	279.7	273.2	318.0	352.0	317.6	345.6	372.5
Cash expenses	174.7	182.9	193.1	204.8	240.3	261.6	248.5	254.2	273.9
Net cash income	72.1	83.7	86.7	68.4	77.7	90.4	69.1	91.3	98.6
<b>Commodity Prices <sup>1</sup></b>	<b>Unit</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11F</b>
Wheat	\$/bu	3.40	3.40	3.42	4.26	6.48	6.78	4.87	5.60-5.80
Corn	\$/bu	2.42	2.06	2.00	3.04	4.20	4.06	3.55	5.06-5.75
Soybeans	\$/bu	7.34	5.74	5.66	6.43	10.10	9.97	9.59	11.20-12.20
Rice	\$/cwt	8.08	7.33	7.65	9.96	12.80	16.80	14.40	12.15-12.65
Cotton (Upland)	c/lb	61.8	41.6	47.7	46.5	59.3	47.8	62.9	79.0-84.0
Hogs	\$/cwt	52.51	50.05	47.26	47.09	47.84	41.24	55.06	58-61
Steers	\$/cwt	84.75	87.28	85.41	91.82	92.27	83.25	95.38	102-109
Broilers	c/lb	74.1	70.8	64.4	76.4	79.7	77.6	82.9	80-85
Milk	\$/cwt	16.13	15.19	12.96	19.21	18.45	12.93	16.30	17.70-18.40
Gasoline	\$/gallon	1.85	2.27	2.58	2.81	3.26	2.35	2.78	3.15
Diesel	\$/gallon	1.81	2.40	2.70	2.88	3.80	2.46	2.99	3.43
Natural gas (w/htd)	\$/K cu. ft.	5.45	7.26	6.39	6.26	7.98	3.72	4.14	3.97

<sup>1</sup> Agricultural commodity price forecasts are from USDA, *World Agricultural Supply and Demand Estimates* report, February 9, 2011. Energy prices are from Energy Information Administration, *Short Term Energy Outlook*, February 8, 2011.  
F=forecast.

The CHAIRMAN. Thank you, Mr. Secretary.

Mr. Secretary, you rightly point out that the farm economy continues to remain strong. I am concerned about stability. Over the last 62 years, which is a little longer than both your and my personal frame of reference, the nominal monthly, average price for wheat in my home State of Oklahoma, has reached a historic high on 21 occasions; 21 months out of 62 years. In all but one of those instances, the price dropped back below that high within the following year. And the one exception was December of 1950 when it took 18 months to fall back below that high. Are you concerned about the price stability in the commodities?

Secretary VILSACK. Mr. Chairman, I think you always should be concerned about stability for the reasons that you have articulated in your question. Having said that, one of the things that is driving the current increases in prices is the growing global demand. And that in part is as a result of improving global economic conditions and the development of middle classes in a number of developing nations.

So the combination of that, combined with our efforts and others, to try to increase agricultural productivity, not just in the United States but globally, to meet the demands that you again rightly indicated in terms of an increasing world population, the combination of those two things should help us encourage greater stability in the market.

The CHAIRMAN. Mr. Secretary, I will admit that I am a little concerned about the effect that weather patterns in Russia and China and not enough moisture, and too much moisture in Australia, are having on the attitudes of the markets and current prices.

My question is to follow up on basically what you have said: So you believe we have reached a new plateau based on this demand change?

Secretary VILSACK. Well, one thing that I know that is certain about agriculture, Mr. Chairman, is that there is a great deal of uncertainty. I think you always have to be wary.

Another reason for my confidence generally is that I think there are extraordinary productivity gains that will continue to be developed from improved production processes and improved science. So while we have serious challenges, the challenge that I am most concerned about isn't so much price stability as it is who is actually going to be on the farm to produce the crops that are necessary.

You mentioned the small number of farmers; and in our lifetime, we have gone from 15 percent of our population being on the farm to now less than one percent. So that is a deep concern that I have in terms of who is actually going to be able to do the work.

The CHAIRMAN. Secretary, let's visit for a moment about the Administration's budget proposal for agriculture in justifying the lower AGI threshold and their proposal for reducing direct payments. There was a quote in, I believe it was Reuters News Service, referencing an Administration official who said direct payments, "distort production and drive up the value of farmland."

Do you agree with that statement, Mr. Secretary?

Secretary VILSACK. The proposal we made, Mr. Chairman, is one, that we have consistently made and we have discussed before, and that is the view that the safety net needs to be directed to the peo-

ple who are in need of it most. What we are proposing impacts roughly two percent of farmers, roughly 30,000 of the 2.1 million producers in this country. It is really designed in response to the economic reality we face. When the farm bill was passed in 2008, the economy was in a much different place than it is today, and we all recognize that we have a responsibility to focus on deficits, and everyone is going to have to share in that responsibility.

The CHAIRMAN. As the Committee crafts a 5 year farm bill policy which has to take into consideration not just the good times at this point in time, but where we may be 5 years down the road, and we have to factor in our international trade obligations under the WTO, I guess I come back just one more moment to this direct payment question. Do you believe that the direct payments actually distort production decisions in the way that they are crafted to be independent of the production process right now?

Secretary VILSACK. Well, given the size of the direct payments, I am not sure that I would necessarily suggest that it is market-distorting. I am not quite sure who made that comment. It didn't come from me, and I don't believe it came from USDA. I think there are some very small programs within the farm bill that involve storage, that one could potentially argue have some capacity to alter market decisions, but I don't believe that applies necessarily to direct payments.

The CHAIRMAN. I can't necessarily speak for all of the regions of the country, but in my home area, wheat country, on a \$1,500 piece of land, the direct payment is something like \$15, one percent. We have debated whether that is relevant or not. It seems like one percent—

Secretary VILSACK. Mr. Chairman—

The CHAIRMAN. Please.

Secretary VILSACK. I thought this whole discussion was succinctly stated at a Farm Bureau meeting I attended in Atlanta. I think what we have to decide, and I mean “we” collectively, what we have to decide is whether or not we want a safety net process that provides a small amount of payments over each year, regardless of whether it is a great year, bad year, or middle year, or whether we really want to take a look at some other concept that would provide for much greater help when you absolutely need it.

And I think there is an ongoing conversation about appropriate risk management tools, and I look forward to working with the Committee as you all craft a farm bill to try to hone in on that particular question. I think it is an important one.

The CHAIRMAN. You are entirely right, Mr. Secretary. And as we craft those policy decisions, we have to craft decisions that will enable us to win fights in the WTO court. I may not have voted to join the GATT in 1995, but we are a part of it and we will have to live with it.

I now turn to the Ranking Member for any questions he may have.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Secretary, I think I read yesterday or the day before some kind of report out of your Dairy Industry Advisory Committee. Are they done with their report or was that—I don't know where I read

it, but there was a discussion about some consensus. Where is that process and when are they going to do a final report?

Secretary VILSACK. Representative, we anticipate a report the first week of March. They have finished their meetings, and they are in the process of finalizing the draft of the report.

While the reality is that this committee and this council represented virtually every interest in dairy, and as you well know, those interests are quite varied, there was a great deal of agreement. I wouldn't say there was unanimous consensus with the committee and council, but there was a good deal of agreement.

I think this is a real opportunity for us this year to work with those who have been working on a variety of different ideas in dairy so that we can perhaps, in this part of agriculture, create far greater price stability and far less volatility than we have seen. We have lost roughly 45 percent of our dairy producers in just the last 10 years, and part of it is the peaks and valleys are steeper, they come quicker, and it is much more difficult for people to rebound.

Mr. PETERSON. I assume this group has been following the National Milk Producers Federation's Foundation for the Future discussion, and that is part of their focus as they have gone through this?

Secretary VILSACK. There has been an awareness of what National Milk Producers Federation has put together, the four-point plan that you are well aware of, and the discussions that took place in the council certainly tracked along the lines of what National Milk Producers Federation was looking at. Again, I am not going to suggest there was complete unanimity concerning what National Milk Producers Federation has proposed. But there is a basis, a strong foundation, and a consensus among dairy generally that this is the time to do something. Despite the fact that we are seeing rebounding prices, I think everyone knows that we can't afford this continued volatility.

Mr. PETERSON. I assume that group has come to the conclusion that most people who have looked at this think, and that is the current system is not working. It is just inadequate to address the problems. I feel like we really can't afford to wait for the farm bill to address this, if it is possible. I am concerned about what could happen in the interim.

What is your feeling on that? Do you think we should be moving sooner rather than later if we can get a consensus?

Secretary VILSACK. We are certainly willing to work with whatever the wishes of the Committee are. I would answer it this way. Given the tremendous drop that occurred in a relatively short period of time since 2008, I think it behooves us to really look at a solution as quickly as possible so that we have the best chance of stabilizing and broadening the price band. Especially since there appears to be energy and focus in the industry on this, I don't think you would necessarily want to lose that focus and that energy if it gets wrapped up into a much broader conversation involving the farm bill generally.

Mr. PETERSON. You announced a new CRP sign-up, I believe, in Pheasants Forever; right?

Secretary VILSACK. I did.

Mr. PETERSON. That is going to take place when?

Secretary VILSACK. I think it is next month.

Mr. PETERSON. By the way, I have handed out to some of you, but this is the 25th anniversary of CRP, which I would argue is the most successful conservation program we have ever had, and I have pens here if anybody wants one.

In the last sign-up do you have any tracking information—and my general sense is what is coming out is land that is probably more suitable to be farmed and what is going in is maybe stuff that shouldn't be farmed. That seems to be what is going on. Do you have a way to track what came out last year, if that all went back into production? Is there a deal now at the Department where you are able to determine that?

Secretary VILSACK. I am not sure that we can pin it down to the specific acre, but your observation is accurate, which is that a lot of the land that was put into the program a number of years ago perhaps is better suited for crop production. And what is going into the program, because of the nature of the program and the nature of the scoring system, is environmentally sensitive and land that actually probably ought not to be farmed. And our expectation/anticipation is that we will be very close to the cap that was established of 32 million acres.

I have been told we don't actually track specific production, so I am not sure that we can answer the specific question of what goes in and what goes out. But I can assure you that we are focused on land that is environmentally sensitive and not likely to be particularly productive—or as productive.

Mr. PETERSON. Thank you, Mr. Secretary, and Mr. Chairman.

The CHAIRMAN. The chair now recognizes the gentleman from Illinois, Mr. Johnson, for 5 minutes.

Mr. JOHNSON. Thank you, Mr. Chairman. And thank you for your initiative in convening this hearing. And thank you, Mr. Secretary, for your attendance here.

By the way, the Ranking Member has indicated to me, in light of the fact that we haven't gotten a COLA increase for the last 2 years, that these are on sale through the Peterson office for, what, \$5 for ten. I am only kidding. They are nice pens, and a wonderful tribute to a great program.

Let me say that some of my comments I am going to actually reserve. I realize you are not Lisa Jackson nor her surrogate. I think I speak for Members of this Committee, and I certainly speak for the people of the 15th District of Illinois when I would advocate very strongly that you, Mr. Secretary, as part of the Administration, convey to Ms. Jackson, the Administrator, that her actions as EPA director are causing literal havoc within the agricultural community and we need to get that raging bull by the horns before it destroys American agriculture. That is simply a preface, and I realize you are not responsible for her actions, but you are part of an Administration that shares a President. My hope is that you can play a role as our advocate in that regard.

Let me say, I think you pointed out to begin with, an extraordinarily important point, and that is while we are seeing an increase in prices and that times are good, that doesn't mean in 6 months or 9 months or 2 years that we might not see the converse. And I am particularly concerned with some of the proposals in the

President's budget that might not reflect that we are locking permanent changes into the budget that might not anticipate those times that inevitably come within the ag community.

Would you agree we always face a degree of instability, and before permanent changes are made, those should reflect the likelihood or lack of likelihood of that volatility?

Secretary VILSACK. Representative, agriculture is subject to change. There are a lot of factors that go into whether or not it is a good year or not.

But at the same time, we have to be flexible enough in the 21st century to be able to respond to circumstances more quickly than perhaps we have in the past.

Mr. JOHNSON. I guess my narrow question is: Do you think that the President's proposal with respect to direct payments, crop insurance, conservation cuts, and restoring SNAP money in the President's budget proposal reflects that volatility; or do you not?

Secretary VILSACK. I believe it does. The direct payment—

Mr. JOHNSON. I only have 2 minutes. I just wanted a yes or no. I don't agree with you. I don't think it does reflect that. But I asked you the question, and you gave the answer.

Let me focus on trade for a moment. We have three pending trade agreements: one, Korea signed in June of 2007; one with Panama in June of 2007; and one with Colombia in November of 2006. This is from your own Department, Mr. Vilsack.

The belief is that failure to ratify the Korea Free Trade Agreement would put our exporters at a tremendous competitive disadvantage, specifically with the EU, with respect to livestock and otherwise; that failure to execute the Panama agreement would erode from 51 percent to only a fraction of that given our competition from Costa Rica, Chili, El Salvador and other countries that have those agreements. And last, the Colombia Free Trade Agreement which Speaker Pelosi refused to bring before the Chamber, the U.S. has already paid a huge price for that. Our agricultural imports fell from 44 percent in 2007 to 27 percent in 2009.

My question is: Are you willing to advocate on behalf of these three agreements, first, with the Administration to get them to get the paperwork to us; and then second, with the House and the Senate to see ratification of those three agreements?

Secretary VILSACK. I look forward to making a strong effort in the Korea Free Trade Agreement which I hope will be before this body very soon.

There are still a few details that have to be worked out on Colombia and Panama; and when they are, I will be more than happy to be supportive of them because of the positive impacts those agreements will have on agriculture.

Mr. JOHNSON. My question is: Will you commit to a specific time frame by which the Administration will have those to the Congress and also lobbying on their behalf?

Secretary VILSACK. Well, I am happy to advocate on behalf of the agreements; but I don't know that it is necessarily my call to commit the Administration to a specific time frame.

Mr. JOHNSON. But you would agree that ratification of these three agreements which have been pending for up to 5 years are critically important to American agriculture as we try to meet the

objective of meeting a double demand in the world food consumption by 2050.

Secretary VILSACK. I think trade agreements, both bilateral and multilateral, are extremely important, as well as breaking down barriers. That is one of the reasons why we are seeing a record export year. We are focused on that, and we will continue to be focused on that.

Mr. JOHNSON. Well, I am taking that, and I assume other Members of this Committee are talking that to be—and we appreciate your commitment to advocate on behalf of these agreements, to lobby on their behalf, and make sure that they are ratified.

The CHAIRMAN. The gentleman's time has expired.

I turn to the gentleman from Pennsylvania, Mr. Holden, for 5 minutes.

Mr. HOLDEN. Thank you, Mr. Chairman.

Mr. Secretary, as you know, in the last farm bill, we established a conservation program for the producers in the Chesapeake Bay watershed. And I want to commend you and Chief White and the Department for the way you have implemented that program. You have done a great, outstanding job. But despite this record-setting investment, we are facing an Executive Order from the President that will put further regulations and rules on our producers. And in the last Congress, Mr. Goodlatte and I tried to work on legislation that would give USDA a larger say in implementing this Executive Order, and we continue to work on legislation in this Congress. We are just not ready to introduce it yet.

But my question is: In the interim, lacking guidance from the Congress, have you and your Department had ongoing conversations with the EPA about how they intend to implement the Executive Order in the watershed?

Secretary VILSACK. We have, Representative, and a couple of things. We are working closely with the EPA, as we did with the Department of the Interior, to see whether or not there is some process by which we can use the resources available to USDA to encourage conservation in exchange for producers embracing those conservation practices. They would receive some degree of regulatory certainty from the EPA and other agencies.

I think this an exciting new opportunity for us. We have done this in the sage grouse issue out in the West, and we are looking at ways to figure out ways to build on that success.

Mr. HOLDEN. I am glad to hear it. I think we need to get you some legislation, though, to give you some greater authority, and we intend to work on that in the very near future.

Actually, Mr. Secretary, last year we passed the mandatory electronic price reporting for dairy. How is that process going?

Secretary VILSACK. Well, Congressman, you passed it, but you didn't provide any resources for it. So what we have done is we have attempted to figure out is there a way in which we can provide some degree of reporting. There are two functions here. There is the reporting function and then there is the auditing function. We think we will be able to do something this year on just basic information being provided on a weekly basis. I think what you really want ultimately is numbers that you are very confident in, and that requires the auditing function. That is a much more ex-

pensive operation. If we receive the resources, we would be happy to follow through.

Mr. HOLDEN. How much money are we talking about for full implementation?

Secretary VILSACK. I think the projection was \$2.5 million. That is my memory. I could be wrong, but it is somewhere in that neighborhood.

Mr. HOLDEN. Thank you. I yield back the balance of my time.

The CHAIRMAN. The chair now recognizes the gentleman from Pennsylvania, Mr. Thompson, for 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman, Ranking Member. And, Mr. Secretary, it is always good to see you.

My first question has to do with forestry and just seeking to see what numbers are out there. My frame of reference, obviously, is the Allegheny National Forest. I was curious on a national level if what my experience has been in the ANF parallels forestry, our national forests across the country in terms of timber production. The plan in the Allegheny National Forest, the management plan calls for harvesting up to 90 million board feet. That is a pretty high number, a good number. Traditionally, we have been struggling with about 20 million, although this year the forest is up to 40 million board feet. Just about 40. It is a step in the right direction.

We have a long ways to go to get up to good, full, healthy practices where we can harvest in a sustainable way, which is obviously good for the forest as well. In your opinion, do we have data to show, do other forests have similar experiences?

Secretary VILSACK. I think it is fair to say that over time, the amount of board feet has been reduced. But we are in the process of putting together a new forest planning rule which we think is designed to balance appropriately all of the multiple uses that forests are now engaged in. There are the energy issues, the mineral extraction issues, the forest timber issue, the recreation, and the energy issue is one that I think holds a tremendous amount of opportunity to create new economic opportunity in rural communities.

The forest plan rule was just released for comment. We are engaged in the most transparent process ever in an effort to try to gauge as much support for this concept as possible. It is a whole landscape approach where we are tying what we do with the forest, with what we do on private working lands. And we are also sort of changing the focus on this. We really want our forests to be resilient.

As you probably know, in some parts of the country there are serious problems with bark beetle infestations and things of that nature. I think you are going to see a balanced approach and recognizing the enormous economic opportunities as well as recreational opportunities that our forests present.

Mr. THOMPSON. Recognizing its multiple uses, although frankly when I look at the charters with the ANF, it really is about providing sustainable resources for the country, and so timber, oil, natural gas, and minerals. I know that bumping to that 40 million board feet, a small part of that was the clearing of timber for oil and natural gas drilling. Our forest was oil-filmed before it was ever a forest years ago, so that has helped get those numbers up.



One of the things that I was surprised to find out, and this is something that I would like to follow up more on at another time, is that those timber sales, which are usually bid at market price—if a timber sale is specific to oil or natural gas, those pad sites, 5 to 10 acres if it is a horizontal well, and less than that obviously if it is vertical well, the Forest Service puts a 17 percent premium on. It is like a 17 percent tax on top of the market price, which I have to believe obviously suppresses the market for that timber, those who are bidding on it. One of the things I would like to find out, what is the rationale behind that, a 17 percent premium on top of the market bid?

Secretary VILSACK. If you will give me an opportunity to ask that question myself, I will be glad to get you the answer.

Mr. THOMPSON. That would be great. If you follow up with me, I would appreciate it.

I want to thank you in my remaining time regarding the ruling with the Roundup Ready® alfalfa. I was pleased to see that. I think that has really provided some certainty at a proper time for our farmers as they are ordering their seed for this year. That Roundup Ready® alfalfa, I don't think that it is a USDA figure, but a third party has shown that it is going to help increase profitability by about \$100 an acre. When it comes to dairy farming, anything that we can do on that side of the column is a good thing.

Are there other things that USDA is looking at in terms of helping to prevent the situation, to keep feed costs down?

Secretary VILSACK. Well, it is obviously in part a result of market forces and the demand, strong demand for all of our feed. There is not a tremendous amount we can do to focus on the cost side. We can create opportunities to either increase markets so the prices remain strong through exports and domestic use, or we can provide opportunities through our credit process. We are focused on increasing research and development in both livestock production and protection, so we expand significantly our opportunities to profit. And we are also working, as you probably know, on some of the impacts of ethanol production and the feed by-products that are produced as a result of that process and how they might be able to assist us in sort of stretching our feed dollar more effectively. But on that side of the equation, it is a little bit more difficult than it is on the demand side.

Mr. THOMPSON. Thank you very much, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired.

I now turn to the gentleman from North Carolina, Mr. Kissell, for his 5 minutes.

Mr. KISSELL. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here.

Mr. Secretary, I believe it was in December you announced in the GIPSA rule that you were going to have a cost-benefit analysis done. I am wondering what the timeline on that analysis might be. And also, once it is done, are you going to allow a time for public comment before the rule is imposed?

Secretary VILSACK. Well, we extended the time for comment prior to that decision, and we received a substantial number of comments which are in the process of being categorized and reviewed. Those comments are going to help significantly inform what Joe

Glauber and his team will do in terms of the analysis. You know, I would like to give you a specific time frame; but at the end of the day, my instructions to Joe and his team was to do it right and to take the time necessary to do it right and as complete as possible. We believe we have a pretty good idea of the concerns that people have raised from the comments, and we are obviously anxious to get this process completed as appropriately and as quickly as possible.

Mr. KISSELL. Thank you, sir. I yield back my time.

The CHAIRMAN. The gentleman yields back his time.

I now recognize the gentleman from Ohio, Mr. Gibbs, for 5 minutes.

Mr. GIBBS. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for coming in.

I appreciate your remarks. Since I have been farming and involved in agriculture and agricultural policy in the mid-1970s, we always said farmers were going to get their income from the market. In recent years, at least on the grain side, that is happening. We are not getting it from LDPs and stuff like we did in years past, as you are aware.

I think when we craft the next farm bill, I think there will be a lot of discussion about the safety net programs, and what falls into there is the Crop Insurance Program and base payments. So I just wanted to reflect now on that a little bit.

When you talk about the sectors and regions and sectors that are having some challenges—livestock, dairy and poultry—I recently talked this week with one of my large hog producers in Ohio, and he is really concerned about the cost of feed and the ethanol relationship.

Can you expand a little, because you haven't really mentioned it, I have always been supportive of the ethanol industry and all that, but his comments were when you have the subsidy and the mandate of a certain amount, a certain percent of ethanol and all that, and the relationship, and now you see the usage of corn maybe exceeding the feed usage on a national basis, what would be the impact if some of the policy on ethanol, government policy, changes to the market and its effects?

Secretary VILSACK. Well, I think we got a slight indication of what would happen if you prematurely withdraw the support for a maturing industry when we allowed the biodiesel tax credit to lapse prematurely. It resulted in 50 percent of the production being cut and 12,000 jobs being lost.

So what I have been saying is that I think there is an opportunity for us to discuss how those incentives are best used to produce a very stable and secure market for renewable fuel; the reason for it being that we know that when we reach the 36 billion gallon threshold that the Congress has set, we are going to have a million additional jobs, up to a million additional jobs in rural America, which are very much needed, and \$100 billion of capital investment. So to me it is an opportunity for us to not only stabilize markets but also to make sure that we create jobs.

I think two things: Number one, I think there needs to be some discussion about how we might be able to make the supply of ethanol more convenient, which is why there is a discussion about

blender pumps and the ability to potentially incent the blender pumps as opposed to the way we are incenting the industry today.

I think there is a discussion that could take place in terms of the number of flexible fuel vehicles that are actually produced by our automakers and how we might be able to encourage more automobiles that can use higher blends of ethanol.

Finally, it is very important for us to expand significantly the feedstocks that are used to produce ethanol so that we are not as reliant on a single feedstock as we are today. That is the reason we announced recently three biorefineries, primarily in the South, taking a look at woody biomass and some other waste products. That is why we have 68 feasibility studies under our REAP program to take a look at everything from algae to crop residue to ways in which we can accelerate the cellulosic ethanol opportunities.

Mr. GIBBS. I appreciate that, and look forward to working with you. In Ohio, we have a project that we have been working on through Ohio State University, a crop that produces natural rubber. And what is really exciting about that, when they extract the latex out of the roots, it is a stream ready to ferment for ethanol. So that is some of those other issues. I don't know if you are aware of that.

Secretary VILSACK. I have actually seen and spent time with the Ohio State folks, and have actually seen the production process that they have. That is the kind of thing that I think is exciting because there are multiple uses that can generate from those kinds of production processes.

Mr. GIBBS. I yield back my time.

The CHAIRMAN. I now recognize the gentlelady from Maine for 5 minutes.

Ms. PINGREE. Thank you very much, Mr. Chairman.

Mr. Secretary, thank you for being here today. I appreciate your testimony and your work on behalf of all of our farmers. I might have a slightly different perspective than a lot of Members on the Committee, but I was actually disappointed by the decision to fully regulate Roundup Ready® alfalfa without any conditions. I think I have a lot of colleagues and certainly a lot of constituents who have concerns about the continued deregulation of genetically engineered crops and the long-term consequences for the organic and non-GE conventional sectors, maintenance and expansion of lucrative export opportunities and consumer choice. I also think the issue of liability for organic and non-GE farmers remains unresolved.

I was initially encouraged by your steps to address measures for much-needed contamination prevention practices and oversight. And given the significant economic impacts of continued deregulation for the organic and non-GE sectors, do you have steps you plan to take to address contamination in the farmer's fields and liability needs? I know this is a complicated issue, but I appreciate your comment.

Secretary VILSACK. I appreciate the question. I just simply point out that at USDA we think we are doing something right, but on alfalfa we are likely to get sued for the decision we made. And on sugarbeets, we are likely to get sued on the other side for the decision we made. So we must be doing something right.

But specifically to your question, the conversation that we facilitated was an extraordinarily important one, and it was worth the difficulties that it created from a sense of the germ plasma concerns that were expressed, and the ability that we always would have access to nonconventional alfalfa seed. And we tried to address that specific concern outside of the rule by creating another opportunity within USDA in terms of its Germplasma Protection Program to use a more isolated site in Idaho to be able to guarantee that we would always have a supply of non-GE seed.

Second, there is some interesting research being done in corn on cross-pollination, and whether or not you can create something within corn that would allow it to defend itself from a foreign gene or pollen that would be contrary to what you wanted to do. The question is: Is there a way in which that research could inform a similar type of opportunity within alfalfa? We are reconstituting two advisory groups, one on germplasms, one on just basic general discussion of biotechnology to go more deeply into these discussions.

Our view at USDA is it is not either/or, as some would like to suggest. It really is about how can we have as diverse an agriculture as possible so everyone can do what they feel and they decide is best for their operation. The more the merrier because it creates domestic markets. And both types create opportunities from an export perspective. And it is the type of thing that will generate more farmers and more opportunities within agriculture.

So we are trying to have that tough conversation. It is difficult to have it in the context of constant litigation, but that is where we find ourselves today. As I say, no matter what we do, there is always somebody that is dissatisfied with it. What we are trying to do is say rather than constantly litigating, maybe we can have a conversation and figure out ways in which we can at least find where the common ground exists. I think we did a lot of that in alfalfa. I know a lot of folks are not happy, but we certainly did more than we would have done had the conversation not taken place.

Ms. PINGREE. I do appreciate your pursuing the conversation and looking for ways to resolve some of this. I am not sure that the suggestions you are working on now are going to be enough, but I look forward to being in the continuing dialogue with you.

I have one last quick question. If I don't have time to get your entire answer, I will ask it later.

I see the Administration's budget for the National Organic Program includes an increase of \$3 million to strength enforcement capacity to protect the integrity of the USDA organic seal. I am just interested in knowing what the additional dollars will be used for; particularly in regard to foreign products, how they will be used?

Secretary VILSACK. In the foreign area, we are most focused right now on negotiating equivalency agreements. We reached one with Canada last year, and we are in intense conversations with the EU right now. And our view is if we can develop a common understanding and a common agreement about what constitutes equivalence, it will be a way to protect the brand. I mean, at the end of the day, the value added to organic is basically that you can guarantee that it is indeed organic. And this resource is primarily de-

signed to make sure that folks who are alleging that they are producing organic are actually living up to the standards that have been set by the industry.

Ms. PINGREE. Thank you very much.

The CHAIRMAN. The gentlewoman's time has expired.

The chair now recognizes the gentleman from Tennessee, Mr. Fincher.

Mr. FINCHER. Thank you, Mr. Chairman.

As a seven-generation farmer, the phrase "Some days you're the windshield, some days you're the bug," that kind of goes with the farming industry.

I think what we need to make sure that we do is we have a slow, steady approach. The consumer is who benefits or who is hurt by whatever happens here. Not only are commodity prices in a great place for the ag industry all over this country, but rising input costs, fertilizer costs, fuel prices, seed prices, land, rent, as far as the inflation of the prices, all factor into the decisions that are going to be made over the next couple of years with the new farm bill.

As a farmer, as an active farmer, the amount of regulations that we are dealing with from EPA and other agencies are really becoming an issue. I think I hear you today saying that you are standing with the ag community to make sure, and again I think who is hurt here is the consumer in the end, because we don't want to ever get to the place where there are no farmers left and we go to the grocery store and there are only a few loaves of bread or a few cartons of eggs or a few gallons of milk because we have regulated our farmers out of business.

We can compete with the rest of the world as good as anyone. But the free market, it really works well when we let it do its job. No doubt we can agree that there is a certain amount of oversight and regulation that we comply with. But again, Washington bureaucrats printing or making a computer program, and then trying to implement that program on the farm, sometimes doesn't always pan out.

So your commitment to us today, again, Mr. Chairman and his commonsense approach and his remarks, and the Ranking Member as well, as we move forward, maybe in a deregulation process to make sure we can, as farmers and as this Committee, do our part to making sure that the ag community does prosper and stays intact a for long term, for our future generations. Nobody wants to see it anymore than I do for my children.

But again, thank you for your service. The regulations are a big, big problem for us.

Thank you.

Secretary VILSACK. Representative, I wonder if I can just respond to your comments in this way. One of the first things I did was to establish a good relationship with Administrator Jackson and encourage her to actually take time to visit farm country, which she has done. We also encouraged her to engage in regular conversations with commodity and livestock groups, which she has done. We continually work with her ag representative, Larry Ellsworth, in an effort to try to make sure that there is a complete under-

standing of the impact that certain proposed regulations or thoughts might have on production agriculture in particular.

You know, I think there has been a willingness to listen, and there have been adjustments made as a result of that. And we are going to continue to do that. There is no question farmers, in my view, are the ones who are most concerned about stewardship, because at the end of the day they live or die based on the capacity of the soil to produce, and they are very interested in making sure that we have clean and healthy water for a multitude of reasons.

So there is a good relationship. We are going to continue to work and do our job to make sure that there is an understanding of the impact of the regulations.

Mr. FINCHER. Thank you, Mr. Secretary. The high prices of commodities now, they probably won't always stay this high. So a safety net as we move forward is critical to ensuring that our farmers stay profitable in the long term.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The chair now recognizes the gentleman from Massachusetts, Mr. McGovern, for 5 minutes.

Mr. MCGOVERN. Thank you, Mr. Chairman. Mr. Secretary, welcome, and thank you for being here.

Let me begin by saying that hunger and nutrition are the main reasons why I sought to get a seat on the Agriculture Committee because this Committee, not only domestically but internationally, is key to providing a safety net for those who are falling through the cracks. And internationally, it is a national security issue.

And I appreciate the Department's support for the McGovern-Dole school feeding program, and I appreciate your leadership here domestically. I appreciate the President's commitment to end childhood hunger by 2015. I want to see him do that. I appreciate your commitment to making sure that the food stamp or the SNAP program is adequate to meet the needs of those who are experiencing difficult times during this difficult economy.

During the 110th and 111th Congresses, we saw the greatest improvements in investments in SNAP in generations. Yet much of that funding was used to offset the FMAP bill and the child—the Nutrition Reauthorization bill, and I am pleased that the Administration has included the restoration of some of these cuts in their 2012 budget request. And you know there are some who complain that a huge portion of agriculture's budget goes to food and nutrition issues. I think that is a good thing from my perspective.

But I also remind people that as the economy gets better, and people are more secure than the obligation to provide a helping hand, whether it is SNAP or other programs decreases. So the answer to that is to get the economy moving again.

I also—you heard people in the context they will tell you about entitlement reform saying that well, we need to take a hard look at the SNAP program. It is my understanding, and I appreciate your comment when I am finished, that GAO did a recent study not too long ago that this is one of the most efficiently-run programs in the Federal Government, that if there is an error rated sometimes it is mostly that we don't provide enough, not that we provide too much.

The other thing I want to say is that I recognize that the battle to end hunger in this country and to meet your goal of ending childhood hunger in the United States by 2015 does not solely rest with USDA, there are other departments and other agencies that have a role in this. I urge the President, along with Congresswoman Jo Ann Emerson, that one of the things that might be useful to develop a holistic plan so that we get this right because we are investing an awful lot of money in these programs. There was a White House Conference on Food and Nutrition, one domestically and one internationally this way so that everybody who has a role in this can actually figure out what their assignment is. Make sure there is interagency and interdepartmental communication, which I am sure there were some, but to come up with the plan so we all know what to do, and it makes it easier here in Congress then to advocate, because it is not just the Agriculture Committee, there are other committees involved. I mean children and nutrition falls under the Education and Labor Committee. But I don't see us kind of working in a coordinated way to actually come up with a plan. And so I would appreciate your comments on the SNAP program but also on maybe the prospects of trying to get some people together with the White House on a summit that would bring everybody together.

Secretary VILSACK. Representative, I appreciate your passion on this issue, and let me see if I can respond as quickly as I can in the time remaining. Number one, the reason why I think the Recovery Act included a commitment to the SNAP program was not just because there were going to be more people in need of that assistance, but because it was indeed perhaps the most effective stimulus in terms of immediate impact on the economy. Ninety-seven percent of SNAP benefits are spent within 30 days.

And when people can produce and when people can purchase more at the grocery store, it obviously means that more has to be packed, and processed, and shipped, and transported and produced and so forth, those are all jobs. Every dollar spent in SNAP generates about \$1.80 to \$1.90 in economic activity, so it is a stimulus effect, number one.

Number two, there is a misunderstanding of who actually receives SNAP benefits. There are a lot of senior citizens who receive it and there are obviously a lot of children. Only ten percent of the SNAP recipients are cash welfare recipients so it is roughly the working poor, the folks who are struggling are helped out with this program.

The error rate for the last several years, we have had an error rate that is less than six percent. Last year it was very close to 3½ percent, which, given the amount of increase that has taken place in the program, another eight million people added to the program, the fact that we went down in the error rate does suggest and support your notion that we are doing a good job, but we can always do a better job and we are focused on that.

In terms of the issue of a summit, I will say that there is very good coordination on the international side with Feed the Future Initiative, the State Department, USAID and USDA are working very collaboratively. And I think that represents a good model for us perhaps on the domestic side. I am certainly happy to talk to

folks about your idea. Anything that can allow us to do a better job in a more coordinated, integrated fashion, I am all for it.

The CHAIRMAN. The gentleman's time has expired. And before we turn to the next individual, I would point out I share Mr. McGovern's observations and points, and with projected 75 percent of all the farm bill spending in this 5 year cycle to go to it, we are trying.

I now recognize the gentleman from Georgia, Mr. Scott for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. And Mr. Secretary, thank you for being with us today. And I would point out you have been a governor before and were reelected as governor, so you did some things right I would think, in your state.

Secretary VILSACK. Representative King might disagree.

Mr. AUSTIN SCOTT of Georgia. You hit on a point with our economy, I want to come back to. Stable markets create jobs. Is that a fair statement, that the more stable the markets are the more job creation we can count on in this country?

Secretary VILSACK. I would say that the more stable the markets are, the easier it is for people to be able to plan and therefore the more stable the job market is.

Mr. AUSTIN SCOTT of Georgia. So you would agree then that regulatory uncertainty is bad for the economy?

Secretary VILSACK. I am not—well, I don't want to be argumentative. Obviously if there is confusion about regulation, that is not a good thing.

Mr. AUSTIN SCOTT of Georgia. I guess I go back to what you said when, I think it was Mr. Holden that asked the question, and you essentially indicated that the American farmer was going have to barter with the EPA for regulatory certainty. And—

Secretary VILSACK. Well, I don't think that is—that is not what I intended. Let me give it another shot and perhaps maybe I need to do a better job explaining this. I think what is of concern to a lot of farmers is when they are asked to embrace conservation programs, which they are happy to do and they want to do. And then the rules change after they have basically taken certain steps, that it makes it difficult for them. And so what we are trying to do is give them a degree of certainty that when you take these steps, you won't have to worry about the rules changing, and we think that is a good thing.

Mr. AUSTIN SCOTT of Georgia. And that also changes the value of the assets that they own. I mean, the bottom line is when the government changes the rules after the decision has been made, the individual should be allowed to go back and make a different decision based on the new rules, but the EPA doesn't work that way.

Let me tell you what the EPA did about a week ago in Tifton as far as working with them. They walked into a family man's business, a little business in Tifton, Georgia, they asked him to show them their lead-based paint disclosure forms and he could not do it. And their idea of negotiating with him is that they moved him from \$30,000 per house and \$150,000 fine to \$10,000 per house and a \$50,000 fine. That is how the EPA operates in today's day and time.



So I say that to come back to this point, are you, as the Secretary and the head of USDA, willing to go to bat for the United States farmer, who I would remind you, you can't end hunger without the United States farmer. And without the United States farmer, every SNAP dollar doesn't go as far for the SNAP recipient. So are you, as the head of USDA, willing to go to bat on behalf of the United States farmer with the EPA?

Secretary VILSACK. I think we are doing that, Congressman. I think we are doing it in terms of the relationship I have with the EPA Administrator, the advice and the counsel we provide, the letters we write on certain proposed regulations, the input that we have encouraged from livestock, a lot of groups to the EPA. This notion of regulatory certainty, which I think has enormous opportunities to give folks reassurance that as they take certain steps, they are not going to have to worry about the situation that you just outlined that occurred in your district.

Mr. AUSTIN SCOTT of Georgia. They are scared, Mr. Secretary. The bottom line is the American citizen is scared to death right now of the EPA, whether they are farming or any other industry. And I appreciate your statement that you are going to go to bat on behalf of the farmer and that you have been. I would ask you to use a bigger bat.

The CHAIRMAN. The gentleman yields back the balance of his time. The chair now turns to the gentleman from Iowa for 5 minutes.

Mr. BOSWELL. Thank you, Mr. Chairman. And good to see you, Mr. Secretary, and welcome to our Committee again. Just a little bit of dialogue, Mr. Chairman, you made a comment about the nine billion people, the population. And that just reminds me of some of the other conversation. There is a lot out—started out a lot of head bumping on organic and traditional, and I submit to you, again, to all of us that there is room for both, there is, and there still are going to be hungry people.

I think these things can be worked out. And I would hope that we keep working in that direction because they can be. And I don't think they are really in competition. As you know, Mr. Secretary, in our state, we have had a lot of discussion about the crop insurance and we are a big user as you well know. I am still having some concerns coming from our agents and I would remind you being that some of our colleagues, the Chairman included hands on, there are three things that I say we have to have in the community to be a farmer, and that is you have to have a farmer store, whether it is a co-op or whatever it is. You have to have a bank to work with you, and you have to have a good insurance agent these days with the high capitalization of trying to put in a crop or whatever do you in agriculture. So the agents are still concerned, and I would trust that you are probably still involved with that and hope you are.

One thing that has kind of bothered me, and going back to some of our history and background, we have both been concerned, I think about, is advocates for arbitration and fairness in business contracts. And I am a little bit troubled about this covenant not to sue. I wonder if you would shed any light on why that covenant really should be there?

Secretary VILSACK. Well, we made an effort to try to negotiate with the industry at the instruction of Congress to renegotiate every 5 years the Standard Reinsurance Agreement. And in order to stabilize the reinsurance agreement, in order to provide greater integrity within the program, and in order to provide a better deal for taxpayers, we negotiated a series of initiatives designed to save money, to make sure that the crop insurance program was stabilized in terms of its ability to provide coverage and it was solvent. I think the good news is that as a result of our efforts, we have actually sold 14,000 more policies as a result of the expansion that took place with rangeland and grasslands areas. And we have also instituted a good producer refund and rebate program as a result of steps taken to improve the product.

I think you have to look at this thing on balance and it was a negotiated process. And that was one of the things that the industry was interested in having. And as a result of the magnitude of the deal we struck, it was included.

Mr. BOSWELL. So you think the covenant not to sue is still necessary to be there?

Secretary VILSACK. Well, I haven't had a chance to talk to Administrator Murphy about that specific issue recently. But, on balance, we are pleased that there are more policies being sold, that we did effect a savings, and we were able to put together the refund. So the things we were focused on happening are, in fact, happening.

Mr. BOSWELL. I am not questioning that and I appreciate that, but I just wanted to lay that out there as a concern. And this Committee, Mr. Chairman, I have become an advocate for, I guess the best way to put it is just fairness in business contracts, so that producer out there can have his say and not be forced out when necessary, but I won't go back and rehash all that.

So maybe we can talk about that some more, Mr. Secretary. I think I will just leave it there and thank you for your hard work.

The CHAIRMAN. The gentleman yields back his time. The Chairman recognizes the gentleman from Arkansas, Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here. I would echo the comments of the gentleman from Georgia in that I hear every day, day in and day out from farmers in my district, the single biggest threat that they face is the threat of the EPA that looms over them. And so, again, thank you for your commitment there. And I can't ask you to comment or speak for the EPA so I won't ask you to. But I will ask you to speak on behalf of the USDA and help us really understand what the relationship is on a day-to-day basis between the USDA and the EPA. And specifically, is there a protocol or liaison on a daily basis between USDA and the EPA?

Secretary VILSACK. I don't want to say on a daily basis. I would say this, EPA Administrator Jackson has appointed an ag liaison, and I know that that liaison is over in our office very frequently. I would say almost on a weekly basis. I know there is conversation between that liaison and individuals, under secretaries and folks within various mission areas of USDA. And I also know that the ag liaison speaks very frequently with Robert Bonnie and Sarah

Bittleman, who are in my office, directly in my office on a variety of issues involving EPA's decision-making process. I also know that we are writing letters, constantly in meetings in which we are addressing concerns, raising questions, asking for clarification and making suggests about appropriate modifications to what might be considered. I think there is, to my knowledge, there is a very robust effort between USDA and EPA to make sure they have all the information they need to make the right set of decisions.

Mr. CRAWFORD. Is the EPA, to your knowledge, are they implementing policy that may adversely affect farmers with or without your input or input from your agency? Or as I said before, do you get a fair opportunity to present data on behalf of farmers?

Secretary VILSACK. To my knowledge we have gotten a very good opportunity, and I know a number of circumstances where we have made a difference in terms of the approach EPA has taken, whether it is definitions, whether it is the scope of particular regulations; it is one of the reasons why I encouraged the Administrator to take some time to visit and actually get on the farm and see what is going on in various operations. It is why I encouraged the ongoing conversation that she has with commodity groups and livestock groups.

Mr. CRAWFORD. I appreciate that, Mr. Secretary. I yield back.

The CHAIRMAN. The gentleman yields back the balance of his time. I now turn to the gentleman from Connecticut for 5 minutes.

Mr. COURTNEY. Thank you, Mr. Chairman. Mr. Secretary, the last time I saw you I was on the Education and Labor Committee and we were working on the Child Nutrition Act, which I am pleased, in the lame duck session, we finally got done. Congratulations to you and your staff which was a lot of hard work. The House bill was still better than the final bill, but I won't ask you to comment on that.

We are now at the point where implementing regulations that are in place and I think there is probably almost universal noise out there in terms of boards of education that are trying to anticipate what the new rules are going to be for food service providers, in terms of their qualifications. I mean, obviously, one of the goals of this bill was to try and increase new nutritional standards and food. I mean, some of the finest chefs in the world could probably use some educating in terms of what is healthy food so we obviously need to make that effort out there.

But on the other hand, I don't have to tell you, local school budgets are still unbelievably stressed right now. So there is again worry that this is going to be a high cost to school boards. I just wondered if you could sort of comment on where the regulations are and whether or not you will be working with local and state government to try and make this workable for everyone?

Secretary VILSACK. This is a document that I asked be prepared for me personally, which is an implementation plan for the Healthy, Hungry-Free Kids Act of 2010. It basically is a color-coded—things are progressing, things are not progressing, or things are potentially delayed so that I am on the point in terms of the major provisions of that proposal.

From what I can tell, everything that we promised that would be done up to this point is and has been done on a timely basis. There

has been an effort to reach out and to work with the School Nutrition Association and others in a very collaborative way. We will continue that. And there is also an effort—at the same time you mention chefs, there is also an effort to actually encourage chefs to move into the schools, to work with school personnel.

There are creative ways to stretch the dollar. We actually have a recipe contest now that will end very soon and we are going to put together a cookbook of recipes that can be used. Fruits and vegetables, and whole grains and low fat dairy on the reimbursement level so that folks learn how to be a little bit more creative than in the past. So to my knowledge, things are on track, and there is a collaborative and transparent process.

Mr. COURTNEY. You know, I would actually encourage you to share that with Members and their offices because, again, I think that would be just a helpful thing for all of us to be able to let their constituents know that this isn't some distant bureaucracy that is going to impose things, that there really is a process and that things are, again, being implemented in a balanced way.

Secretary VILSACK. I will only say that there are some programs in which you have established statutory requirements in terms of when it becomes implemented, so some things may not happen in 2011 because you dictated they happen in 2012.

Mr. COURTNEY. Thank you. And just in a brief moment here, again, the conversation earlier about stable markets and regulation, I actually think in some areas, having some regulation will help stabilize markets. For dairy farmers in Connecticut that are getting killed with high energy costs, the lack of regulation in terms of the speculation on energy markets is a huge destabilizing factor, either oil delivery guys get wiped out because they didn't hedge enough for swings in prices. And for the CFTC to get rules out there that limit the number of positions that some of these speculators can take on products like oil. Frankly, it would be of great benefit to farmers and small businesses who are, again, paying prices that are completely disconnected from real supply and demand forces.

We had a hearing on this last week, and I would just say, again, it is hard to answer the question about input costs which I know you have been asked here today, but clearly getting the CFTC Dodd-Frank rules implemented will have the effect of stabilizing a lot of these input costs in helping people plan, which the swings in prices that are taking place right now make almost impossible. I would just leave it at that and I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back the balance of his time. The chair turns to the gentleman from Tennessee for 5 minutes.

Mr. DESJARLAIS. Thank you, Mr. Chairman. Mr. Secretary, I really appreciate your time today. Recently I had the privilege of participating in the Tennessee Cattlemen's Association's annual meeting. And although they had many concerns, one that seemed in the front of their minds was the collapse of Eastern Livestock Company, that, as you know, left hundreds of livestock producers in dozens of states without payments, totaling the excess of \$130 million. More importantly, it has shaken the confidence in the market and rattled livestock producers across the country.

Last year the Administration created and implemented the Poultry Loss Contract Grant Assistance Program to provide \$60 million in assistance to poultry growers whose poultry growing arrangements were terminated because of bankruptcy. What steps are you taking to help producers impacted by the failure of the Eastern Livestock Company? And how do you help restore their confidence moving forward?

Secretary VILSACK. Well, one of the things that has to take place, the difference between the poultry circumstance and the cattle circumstance that you have alluded to, is that we are really not quite finished with that process in terms of exactly how it is all going to shake out. Obviously, there are bankruptcy proceedings, there may very well be additional steps being taken to recover assets from individuals. And until we have a clear understanding of precisely what the extent of losses might be, it is difficult that we could develop a specific proposal.

Having said that, there is always the opportunity depending upon the market to utilize some of the powers under section 32 if we find that there is a deep concern about farmers' capacity to have their purchasing power compromised by virtue of this. That is one thing we can do. We can obviously take a look at our farm loan programs to try to help folks get through a difficult time.

For non-producers who might be struggling because of what took place, we also have Business and Industry Loan programs, we also could work with the SBA to provide some assistance. And we are obviously collecting data and information concerning bond claims. We know that at this point, there is roughly almost \$37 million of claims that have been filed.

Mr. DESJARLAIS. Thank you, Mr. Secretary. Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back the balance of his time. The chair now turns to the gentleman from Oregon for 5 minutes.

Mr. SCHRADER. Mr. Secretary, I want to start by thanking you for coming to Oregon last year and talking with a lot of my growers, a lot of my timber people and a bunch of my nursery men that had some very serious issues.

I appreciate the accommodation in some of the APHIS rules on the whole pre-notification issue for *Phytophthora ramorum*.

I still remain a little concerned and so do my growers. I think there was conversation at that meeting and within APHIS about trying to get out of the bureaucratic regulatory framework of pre-notification that puts a big burden on our growers and go to maybe some sort of system-wide approach that made more sense.

I still remain a little concerned that my folks on the West Coast, particularly in the counties that are targeted, many of which are in my district, that they are actually really doing the right thing. They have a very rigorous standard that they are looking at. With all due respect to my colleagues from around the country, I think if they had the same rigorous standards that my folks do, they would find they also are a reservoir for this particular issue.

So I am concerned, I am hoping that this won't be used to impede the trade of our crops, if you will. I think just naturally in the marketing of crops, it automatically is going to do that to a cer-

tain extent, so I am curious what steps the agency and what steps the Department is taking to make sure there is still free trade, if you will, with regard to the crops that we are concerned with, the *Phytophthora*. And whether or not the Department is still moving hopefully in an expeditious manner and in what time frame to get away from the pre-notification rule to something that makes a little more sense on a system-wide basis.

Secretary VILSACK. Well, Congressman, I wish I could give you greater certainty on an area that I know is very important to your district and to the producers in your district because I heard them loudly and clearly. One of the things we did do was to provide more time so that they could make adjustments in the process. The problem is it is just doggone difficult to detect. And oftentimes, it can be present for a long period of time before the symptoms manifest themselves, which can potentially compromise other plants and other nurseries, that is the problem. And we are trying to restrict this to areas that have been quarantined in certain regulated counties in three states. And we are trying to do this in a way that doesn't necessarily significantly inhibit trade. I know that you have a different view on this, but until we have a better sense about this, until we have better diagnostic tools, I don't anticipate that we are going to see a significant change in the way we are approaching this in the foreseeable future.

I would be happy to have our APHIS folks visit with you, again, to reassure you that they are doing everything they possibly can and in as reasonable a fashion and way as possible, not to compromise or jeopardize your producers. But, I don't want to mislead you into thinking there is a quick fix here, because I don't believe there is.

Mr. SCHRADER. Well, I appreciate your honesty and the testimony here. Actually, I will take you up on your offer to at least meet with the APHIS folks on this, get some of my growers in. And ask that the same degree of testing be done with the same rigor across this country. If my folks are doing the type of testing that hopefully will help end this pest, at least in our neck of the woods, I want to make sure it is not, referring to your comments on it being a latent type of organism, causing it in some of the other areas too. So I would look for some assurances we are going to be treated with an equal hand.

Secretary VILSACK. We will have Cindy Smith and her team visit with you.

Mr. SCHRADER. Thank you, Mr. Secretary.

Second question, if I may, is regarding the Forest Service, following up on the good Representative from Pennsylvania's comments earlier. I am concerned about the situation in our forests in this country. Everyone talks about sustainable yields, and of course, that is in the eye of the beholder these days. But, it is unquestionable that our forests are burning up at an accelerated rate and our rural communities are unemployed right now. And that begs for a thoughtful solution with the Forest Service getting actively engaged.

We also have severe budget deficits, so most every agency, particularly the last few days, is enjoying some degree of budgetary re-

lief, shall we say, of some of their dollars and struggling to make ends meet.

We had talked at one point when you were out visiting, and I talked about this with Secretary Salazar at another meeting on county payments about having some of these sales or some of the work to clear out the biomass and forests help pay for the management of those sales, so that it would not be adding to increased economic burden on the part of the Department. Have you investigated that? Is there any reason why you would not want to investigate that?

Secretary VILSACK. We are always willing to take a look at ways in which we can do our job better. I have one thing that we have suggested in the budget process is to take a number of smaller programs and provide the Department with greater flexibility to do a better job of managing our forests, which may lead to better and more extended opportunities. We are trying to make sure that folks understand by giving us that flexibility, doesn't mean we are not going to focus on all of the needs of these small programs, but we get constrained by them and therefore can't use the forests for the best and most appropriate use given a particular set of circumstances.

I would also say that, again, to allude back to the forest planning rule, I think that the forest planning rule that we put in place and that we are suggesting we put in place begins to do a better job of explaining the multiple uses that forests can create and the economic opportunities that can arise from those multiple uses.

And we need to have assurances that we are taking full advantage of those uses, because they are just as extraordinary. The President yesterday, with the Great American Outdoors announcement, pointed out that there is a huge economic opportunity here if we do it right.

The CHAIRMAN. The gentleman's time has expired.

Mr. SCHRADER. Thank you.

The CHAIRMAN. The chair would serve note to my colleagues for the following recognition that the custom of the Committee is that all Members present at the dropping of the gavel, recognized by the clerks, are called upon in order of seniority. And then from that moment on, after the hearing starts, you are called in the order with which you attend the hearing. Noting that, I would note for my colleagues next up will be Mr. Ribble, and then Mr. Costa, then Mr. Schilling, then Mr. King, then Mr. Southerland, Mr. Gibson and Ms. Hartzler. And with that, I turn now to the gentleman from Wisconsin for his 5 minutes.

Mr. RIBBLE. Thank you, Mr. Chairman. And thank you, Secretary Vilsack. I have very much enjoyed the conversation this morning. And it was good to get your report because so much in your report was positive. And I want to talk a little bit about some of the good things that are going on, but I do I feel in light of some of the comments that were made today that you should also hear from northeast Wisconsin. There are very few things that are consistent across agriculture. When you talk to dairy farmers their issues are different than corn growers, and their issues are different than the guys producing cranberries or the timber folks. But I will tell you, Mr. Secretary, that there has been one consistent

thing, and everywhere I went in the last year I have asked these members of agriculture, job producers in northeast Wisconsin, what is the number one threat?

I expected to hear that the number one threat could have been energy costs, because they were rising feed prices or land rents. I felt they could have said stability of milk pricing. In other things, trade agreements that haven't happened. The number one threat that virtually every single person has told me is the United States Government and a runaway EPA.

And please, to the degree that you have any power at all, Wisconsin's farmers are pleading with you, as their representative in the Obama Administration, for help, it is the number one threat. I wish you would take that back to them.

Going on to a more pleasant topic, that is, the 2,000 dairy farmers in my district, we have a robust dairy industry in northeast Wisconsin, as you are aware, having lived so close to us. As you know the 2009 milk prices plummeted. What is it that we can do as Members of this Committee and Members of Congress, to help stabilize that and improve that for Wisconsin dairy industry and the United States dairy industry? How do we get around this whole deal of milk pricing and reducing some of the risk?

Secretary VILSACK. I think we are going to give you a set of recommendations here very, very soon from the Dairy Council. As you probably know, representatives including representatives from Wisconsin dairy have been meeting for the last year and a half as a result of what occurred in 2009. And they are going to come up with a set of recommendations; National Milk Producers Federation has come up with a set of recommendations. I know Representative Costa has some ideas and thoughts on this.

I guess the first thing I would suggest is that this is an opportunity this year to have a very extensive and appropriate conversation that we really can't afford to wait any longer to provide greater stability, a broader price band, more distance between the peaks and valleys so that we can ensure that we keep our producers in business.

You will look at issues involving supply and risk management, you will look at the Federal Marketing Order, you will look at a series of other aspects that make up this very complex system. It is really, really difficult to understand, but having said that, I think there are ways. I think there is a growing consensus within dairy that there needs to be attention.

In the past, what you have had is each separate region basically saying we have the solution. And I think there is now a recognition that maybe it is not one part of the country that has the solution, it really does require all the dairymen and women to come together.

Mr. RIBBLE. And I will speak on behalf of those farmers in my district, and from this Member of Congress, we are anxious to have that conversation. It is time to try to reduce the peaks and valleys and to protect our dairy farmers. I grew up milking 42 cows, and that farm is no longer there. And I am so proud of what our dairies are doing today in terms of production, conservation, energy production. It is a stunning act of leadership that I am seeing every single day when I meet with our dairymen.



Secretary VILSACK. Well, that is an interesting point you mentioned about energy. One of the things we try to do at USDA is to develop a partnership with our dairy producers with anaerobic digesters. We have helped to fund close to 50 of those digester programs. And we met with a number of representatives from the Dairy Council and others about how we can continue to promote that kind of partnership.

Mr. RIBBLE. Thank you for that. And Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back the remainder of his time. The chair now recognizes the gentleman from California for 5 minutes.

Mr. COSTA. Thank you very much, Mr. Chairman, for this important timely hearing. It is always good to have the Secretary of Agriculture before the Committee. Mr. Ribble, I did not know until now that you and I both share a common bond. I suspect other Members of the Committee as well grew up on a dairy farm. And if we didn't have this job, we could probably get a job milking cows, vaccinating, dehorning and pulling calves, some redeemable skills.

On the timeline in the statement, Mr. Secretary, that you just made with regards to the dairy industry and the peaks and the valleys, and I think there is a common concern here because we have seen, certainly the worst times that I have ever witnessed in three generations of a dairy family from California. I mean, I heard my parents talk about the tough times early on before I was around, but I have never witnessed it this bad over a continuing period of time.

Do you have timelines? You clearly said your commission, my legislation, National Milk Producers Federation, I think there is consensus, but I would like to be able for us to tell the dairymen in the United States that we are going try to come together with the response in the next 6 months that tries to do the things that you articulated that I think we all feel similarly about.

Secretary VILSACK. Representative, we are happy to work with the Chairman in this Committee and the Senate side to do whatever is necessary. We are happy to roll up our sleeves and begin the work now.

Mr. COSTA. I think we need milestones. I mean, if we don't have them in place, things just kind of roll along. Your Commission's been in place now for over a year. Do they have a concluding report to you—

Secretary VILSACK. It is coming out the first week of March.

Mr. COSTA. Okay, seems to me that is a milestone. So I know the Chairman and the Ranking Member have expressed concerns as many of us have. It just seems to me that we ought to try to, after this hearing, see if there is the will. And if we think we have a consensus approach to make the changes for the industry we ought to set some timelines.

Secretary VILSACK. I don't know that it is my place to set the timelines. I am happy to work with you on the timelines.

Mr. COSTA. No. I am not asking you to set it for the Committee, I am asking for us to sit down together in terms of talking about that if there is a consensus then we ought to try to—otherwise, the alternative is, it seems to me, that we are just going to lay off until the reauthorization of the 2012 Farm Bill. And if that is the con-

sensus, then so be it, but I have dairymen and dairywomen asking me what is happening? Are you guys going to act on this, your bill, National Milk Producers Federation, what is USDA doing? I mean, we ought to tell them we are going to do something, or we are not going to do anything until the reauthorization of the 2012 Farm Bill.

Secretary VILSACK. I think the risk that you run in to not doing something this year is that the momentum that has been built as a result of the concerns of 2009 which extended into 2010. I think you run the risk of potentially losing that momentum. And I think there is a real desire to get something done.

Mr. COSTA. I know under the able leadership of our Chairman, we will sit down and talk and maybe see if there is something we can come together with.

Let me move on here because time—I know GIPSA was visited earlier in the questions, and, but is not clear to me again on what your time frame is there as well.

Secretary VILSACK. I want to make sure that the analysis that you all have requested and that is necessary get done properly. We are in the process of categorizing 60,000+ comments, 30,000 of which I believe were unique. Those have to be analyzed, read and analyzed and sort of characterized. And then that will, in turn, inform Joe and his team what needs to be done. You know, obviously we want to get this done as soon as possible, but we want to get it done right.

Mr. COSTA. I understand. And I will single out the correspondence that I had. But there has been some constituent inquiries to the USDA that has not received a response, from some of the associations out West. And I would like to make sure that that is on your radar screen and you respond. I will bring that to your attention at a separate time.

Finally, under the foreign agriculture efforts, I am on the Subcommittee and we are meeting with some of the our counterparts on market access programs and foreign market development programs in terms of our exports. Again, this relates to the 2012 Farm Bill, but how well do you think they have worked?

Secretary VILSACK. Well, we have a record year in exports and we recently did a study that every dollar that has been invested from USDA, in our view, has generated \$35 of activity. So I would say that is pretty good return for the investment. The President has proposed an increase in this area of the budget, notwithstanding the difficult fiscal times we face, because it is capable of generating more activity and more investment.

Mr. COSTA. You expect the South Korea Free Trade Agreement to further boost exports?

Secretary VILSACK. Well, absolutely. Sixty percent of our ag trade with Korea will have tariffs reduced immediately.

Mr. COSTA. All right. My time has expired. Thank you very much, Mr. Chairman.

The CHAIRMAN. The chair would extend the gentleman's time by 1 minute. And would the gentleman yield for kind of a question, or comment?

Mr. COSTA. Yes.

The CHAIRMAN. The gentleman brings up the issue of GIPSA, and we were all part of the effort of 115 Members of Congress back in October when we wrote asking for an economic analysis of the proposed GIPSA rule. Those few rules, the gentleman will agree, will have more impact on livestock agriculture than this GIPSA rule. Thinking about that letter and the discussions among the various Members, I turned to the Secretary and I asked about the economic impact analysis that will be done is critically important. One of the things we ask for and that you set the motion in the process, is it possible or could we have an assurance that that economic impact analysis can be subjected—that cost-benefit analysis, I should say, can be subjected to independent peer review and perhaps a notice in the comment process? Because there are very few things we will do that are more important than the GIPSA rule.

Secretary VILSACK. Mr. Chairman I will—I want to take an opportunity to visit with my team about that request, especially as it relates to a peer review. We do want to get this done. And we have received thousands of comments. And we have received a lot of direction in terms of what ought to be included or not included in the analysis. It is fairly extensive what has been proposed. And I have a lot of faith and confidence in Joe Glauber to be able to do this properly.

The CHAIRMAN. You are absolutely right, Mr. Secretary, and getting it right is the most important thing. You demonstrated the willingness to add extra time to analyze the process over the course of recent months. You obviously care and I appreciate that fully, but the ability to have an independent peer review, and to have notice and comment time on that cost-benefit analysis seems to me, and I would yield to the gentleman from California, seems to be a very important part of getting this right.

Mr. COSTA. Mr. Chairman, I couldn't agree with you more. And I appreciate the time to further extend the comments on this for the new Members of the Agriculture Committee who haven't been a part of our effort in the last Congress. We spent a great deal of time in a bipartisan effort to ensure that we got this right. And I concur with the Chairman, we appreciate the fact that the Secretary extended the time period. But the peer review is going to be critical because this is an issue that clearly not only affects the livestock industry throughout the United States, but it has implications in a ripple effect on our ability to export U.S. beef products abroad.

We have seen Japan and we have seen other countries use what I would refer to as justifications that I don't think hold merit to prevent export, importation of American beef to their countries. We had a similar situation in South Korea that we had to deal with.

So getting this right, and getting it right in a way that has the consensus of this Committee, as well as those in the industry is going to be critical to the long-term well-being of the U.S. livestock industry. And I am sure you will continue, Mr. Secretary, to find a consensus among the Members of this Committee on that point.

The CHAIRMAN. And we will put our request in writing, Mr. Secretary. The gentleman's time has expired. The chair now turns to the gentleman from Illinois for his 5 minutes, Mr. Schilling.

Mr. SCHILLING. Hello, Mr. Secretary. Good to see you again. Unlike many in the room, I never worked a farm, but I can make a mean pizza. What I would like to talk a little bit about, and it is kind of an echo here, is the EPA. I gave you the scenario that we have dealt with here in the 17th District of Illinois, we are number 48 out of 50 in job creation across the United States.

I have a family-run business that the EPA came in and these folks have 35 people employed, they have been open for 33 years, never had anyone die, no major accidents and they ended up getting penalized by the EPA hundreds of thousands of dollars. They are in the process right now—they spent over \$50,000 fighting this thing. I think that I am just going to reiterate that we have got to get those folks under control and that was just kind of a statement, not a question.

The other thing that I would like to talk about is for 8 years I did what I called estate planning. One of the things that was very difficult is the family farmer who literally work their finger to the bone. What would happen is I would have to come out and sell them what we call the last to die policy in the event that the last owner died, then they would be able to pass the farm down to the kids. And I always had a problem with that. I struggle with it because I have yet to ever figure out how the government can spend the money better than the children of the farmer or the small business.

As you know, I know President Obama had come out last year, and I think it was 35 percent is what they had—I have some notes—yes, 35 percent in lame duck and then they just came out and they increased it to 45 percent with the cap at \$3½ million. Where do you stand on the death tax, as I call it, because that is basically what it is, it is a double tax to the farmer. Where do you stand on that?

Secretary VILSACK. I think there are a couple of things. I think, certainly, what was done in the tax relief bill that was passed last December certainly is extraordinarily helpful. I have been told, I have not actually studied this myself, but I have been told that roughly 95 percent of farmers and ranchers would be covered by that. You constantly have to be looking at that because of land prices fluctuating.

There are also a number of other steps within the estate tax laws that basically mitigate the impact and effect of the estate tax to the point where you may not have to pay it, or if you are required to pay it because you have a very large estate, you have a significant amount of time to do it. There are also valuation mechanisms that can reduce the overall value. It may not necessarily be what the market is on that particular day. It may be that alternative use valuations can be used. I think there are a lot of ways in which you can address the issue of the estate tax, but certainly what was done in December was helpful.

Mr. SCHILLING. With that I yield back the balance of my time.

The CHAIRMAN. The gentleman yields back the balance of his time. I now recognize the gentleman from Iowa, Mr. King, for 5 minutes.

Mr. KING. Thank you, Mr. Chairman. And I thank the Secretary for his testimony. I would like to start this out with the type of gov-

ernor you had been. I applauded you for assigning the increase in the speed limit on our interstates up to 70. It saved me untold hours of productivity that I can use for other endeavors. And I appreciate that.

I would take us back, however, to something, I think, is a disagreement, and we have had this discussion in my office with regard to the *Pigford* issue. And in that discussion, I related to you that then-Chairman of this Committee, Collin Peterson, whom I wish were here at this moment. He and I had a discussion of a disagreement where I had pointed out that a placeholder in the 2008 Farm Bill would result in \$1.3 billion additional money going into the *Pigford* claims, which I have been very clear on my judgment that many of them are fraudulent. And we had that disagreement.

The Chairman of this Committee established his opinion to me very clearly that he said that the language in the 2008 Farm Bill was a hard cap, \$100 million and that would resolve all of the *Pigford* claims and put an end to it. I went back after our discussion when he told me that I had voted to authorize you to negotiate with the farmers to open up and resolve *Pigford II*. As I read the language which I have asked be handed to you, and it is section 14–012. I see the \$100 million there, I see the language there and it reads to me that it is to shall be made exclusively from funds made available, and that it shall be the complete debt relief to resolve all the issues before *Pigford*.

Now often I am the non-lawyer in the room, but I have some lawyers around me that read this that concur with me on that. And I think, Mr. Secretary, it probably would be better not to ask you to render a legal judgment on the language here on short notice, but I would ask you if you would respond to that inquiry in writing and have you had some time to evaluate the language here unless you are prepared today?

Secretary VILSACK. I just want to make sure I understand the question.

Mr. KING. Okay. The question is, do you agree with the Ranking Member of this Committee, Collin Peterson, then-Chairman, that the \$100 million that is in the 2008 Farm Bill as to put an end—to take care of all outstanding, unresolved *Pigford* claims? And if so, then where did you and Attorney General Eric Holder get the authority to negotiate with John Boyd to open up this \$1.25 billion claim which was attached to the *Cobell* settlement, and passed by the 112th Congress? That is one of my questions.

Secretary VILSACK. Let me just see if I can respond and would be happy to amplify on it as well in writing. The reality is—the view was that this amount was not sufficient and adequate to actually provide the relief that folks needed, given the number of potential claims that were not yet fully resolved, that this wasn't sufficient.

Mr. KING. And so even though the statute, as I read it, says that \$100 million shall be all of the money spent to resolve all the cases. And it shall be construed so as to effectuate its remedial purpose of giving a full determination on all the merits for each *Pigford* claim previously denied that determination.

Secretary VILSACK. Well, the problem is it doesn't actually give a full determination because there wasn't sufficient resources in

this. Plus again, with due respect to the drafting of this, it wasn't clear whether any of this money could be used to actually process the claims, which is to say putting the information together. And when I came into the office, I was advised that there was probably insufficient resources to both satisfy the claims and also pay the administrative expenses associated with it.

Mr. KING. And then so you and Attorney General Holder, I presume, with direction from the White House, opened the negotiation with John Boyd, the President of the Black Farmers Association. And came to a number which I believe was \$1.15 billion, which was the number that was in the CR that passed in the 111th Congress that we are operating under now, and that is the authority.

And I am curious to a second question into that as I watch my clock tick, is there now a consent decree or is there any kind of legal document that binds any of the parties involved in *Pigford II*?

Secretary VILSACK. First of all, we didn't negotiate with Mr. Boyd. There really wasn't a negotiation with Mr. Boyd. Second, the court is in the process of reviewing this and will essentially—because class action will essentially have to bless this, we anticipate that will take place relatively soon.

Mr. KING. And so your authority to reach this conclusion that you recommended to the Congress that we appropriate the \$115—\$1.15 billion, what was the source of that authority?

Secretary VILSACK. The authority was that it was not a sufficient amount to resolve the class action that was pending.

Mr. KING. If we have an authorization statute here that caps it at \$100 million to resolve all of it and—it doesn't seem to me that there is any authority beyond that \$100 million the way I read the section.

The CHAIRMAN. The Secretary can respond.

Secretary VILSACK. Congressmen, you all obviously can change your mind at any point in time, and I think it is only fair to say that Congress does, from time to time, change its mind about things. And I think that is essentially what you did. It was not sufficient to resolve the case, that is the problem. And this was a relatively arbitrary number that was not necessarily tied directly to a number of claims and the amount it would take to settle the case.

Mr. KING. I ask unanimous consent for an additional minute.

The CHAIRMAN. Seeing no objection. One additional minute.

Mr. KING. Thank you, Mr. Chairman. I have a news report in front of me regarding Pearlie Reed, USDA Assistant Secretary for Administration, individual that does work on your team.

Secretary VILSACK. Yes.

Mr. KING. And it is reported that he was in Brinkley, Arkansas in late January where he told a crowd that *Pigford I* is under review and that those trying to defraud the government in *Pigford II* will go to the penitentiary. I like that last part of this phrase. Is *Pigford I* under review? And is there an IG investigation to look at *Pigford I*?

Secretary VILSACK. I am not sure what Pearlie is referring to there, Congressman. If you give me an opportunity to visit with him about what he meant. I am not aware of that, but that doesn't mean that it is not happening.

Mr. KING. And are you aware that there is an investigation of *Pigford I* under review?

Secretary VILSACK. I am not aware of that. It could very well be. Oftentimes, the Inspector General doesn't let us know of all the investigations underway.

The CHAIRMAN. The gentleman's time has expired.

Mr. KING. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

The CHAIRMAN. The chair now recognizes the gentleman from New York, Mr. Owens, for 5 minutes.

Mr. OWENS. Thank you, Mr. Chairman. Mr. Vilsack, thank you for coming today. You reported that we have seen a rather significant rise in exports of a wide variety of products, which is clearly a good thing for us. Is there a point in time where the level of exports would create an increase in prices within the United States as the result of the export, or do we have excess capacity which will allow us to continue to export at these levels?

Secretary VILSACK. I recently saw a study and I have not had a chance to determine whether it is appropriate or scientifically valid. It suggested there is still a lot of untapped potential in terms of our capacity to produce agricultural products in this country. That there are probably some lands that could be, for example, double-cropped that are not being double-cropped and could be done in an environmentally appropriate way. So if that report is correct, I think there are still opportunities for us to meet the domestic needs as well as a growing export market.

Mr. OWENS. And would that also be true in terms of returning lands that previously might have been dairy farms into crop production in order to meet that demand?

Secretary VILSACK. Each individual operator is obviously going to try to make the decision that is best for their operation. And we have lost relatively almost half of our dairy producers, so it wouldn't surprise me if that is happening.

Mr. OWENS. Is that something that the Department would encourage?

Secretary VILSACK. I wouldn't say we are encouraging it, actually what we are trying to do is try to figure out if there is a way in which we can stabilize the dairy industry so that we don't continue to lose producers.

Mr. OWENS. And I understand and certainly that is of great importance, particularly in my district as in many others, but those farms that have gone out of the dairy business, is there some type of a plan that the Department has which would encourage them to move into crop production, solely for the purpose of export that would allow them to be profitable?

Secretary VILSACK. I wouldn't say there is a specific plan, but there are a number of programs that could be available to operators that would encourage them to do that, in terms of loan grant programs that we have.

Mr. OWENS. Is there someone that can I contact in the Department that could assist my office in gathering that information?

Secretary VILSACK. We would be happy to reach out to you, our Office of Congressional Relations will do that very soon.

Mr. OWENS. Thank you very much. I yield back.

The CHAIRMAN. The gentleman yields back the balance of his time. The chair turns to the gentleman from Florida Mr. Southerland.

Mr. SOUTHERLAND. Thank you, Mr. Chairman. Mr. Secretary, thank you for being with us today. I have a question regarding citrus greening. Being from Florida, the citrus industry is very critical to our state. Citrus greening is one of the most devastating diseases affecting any commercial crop as recognized by the National Academy of Sciences. In addition, citrus ranks nearly first in the nation in crop value among fruit and vegetable specialty crops according to the USDA's National Agricultural Statistics Service.

Timely research on citrus greening and its vector, the Asian citrus psyllid, is absolutely essential to ensuring the future of citrus production in this country. I am curious if you would go into a little explanation as far as what the Department is doing with the SCRI initiative and just to help give me an understanding, if you don't mind, of what tools you are utilizing that you have at your disposal to address this?

Secretary VILSACK. Well, first of all, a recognition that this is a serious problem and it impacts certainly two areas of the country, both in terms of where you are from as well as concerns we have in the Arizona, California area. Additional research opportunities have been directed to try to assist in developing a process by which this could be abated. There are obviously—quarantine is probably not the right word, but there is a way in which we are identifying where this is and we are attempting to work with folks in these areas where we have seen this to try to contain it as best we can. I don't know that we have all the answers in terms of how to eradicate it, but I think it is primarily putting additional resources behind containment and research to try to figure out how to get rid of this.

Mr. SOUTHERLAND. I think some of the things that I know, the citrus crops are \$12.2 billion in the U.S. economy. And a lot of people don't realize that this disease has never been cured in any other country in the world. It is critical. This is a dire challenge we have. I am just interested periodically in hearing when you testified as to be able to kind of give us an overview.

Secretary VILSACK. I will have our Congressional Relations Office provide you with additional specific information on precisely what we are doing. I met with the citrus growers, and we are very aware of this concern.

Mr. SOUTHERLAND. It is incredible, too, when you realize that the citrus growers have self-funded almost \$40 million of research, and I think they need to be applauded. This is not an industry that is waiting for government to fly in and save the day. So I think they recognize how critical it is. I want to make sure, as representing many in my state, but as you mentioned, this deals with several regions of our country, that the Department is doing everything within its ability, utilizing the tools and the staff and the budget, to make sure that this is a priority. It is widely unknown to our nation at large, but we love orange juice and we love oranges and what they mean to us.

I have to mention, it is a comment in regard to something I know that you are getting tired of hearing. And you know where I am



going. When you hear that statement, you know the precursor of how damaging the reach of the EPA is. It would be unfair of me, having met with so many of the farmers in north Florida, and I am in District 2 of Florida, so I represent the largest Congressional district in Florida. A lot of people don't realize, we have almost 70 dairy farmers just in Florida. A lot of people don't realize that about Florida. We have 250 specialty crops in Florida. It is amazing, the fear that they are hearing about the EPA and the overreach, especially with the nutrient requirements that the EPA is pushing down on the State of Florida.

I will tell you, we are talking about destroying perhaps 14,500 jobs in Florida in just what it would cost our local government in Florida; \$21 billion, it is estimated, in new water treatment facilities. This has to be a tremendous concern. I am concerned that the Administration, which you are a part of, every time it hears that you have to come and testify—and thank you for coming—that you hear the concern of every district because the EPA imposes an incredible threat to jobs in this economy recovering.

Thank you.

The CHAIRMAN. The gentleman's time has expired.

The chair now recognizes the gentleman from New York, Mr. Gibson, for 5 minutes.

Mr. GIBSON. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here today. I appreciate it.

I represent upstate New York. I have ten counties, 137 towns. Agriculture is key to our area. I have a panel that advises me. They represent all across the ten counties. What I thought I would do is take the opportunity to share with you the results of a meeting we recently had.

First of all, you are held in high regard. You have made two trips to my district in the last 6 months, and it is very much appreciated. You conduct yourself in a very professional way, you clearly advocate for farmers, and I want to express my appreciation.

My number one concern, although really there are two. The first has actually been hit by leadership and Mr. Costa as well, and it has to do with what we are going to do, going forward, on price discovery and stability for the dairy market. Our farmers, in a perfect world, they would want to have more free market forces. They have been listening very carefully for the last 18 to 24 months about what National Milk Producers Federation has been talking about. The biggest issue our farmers have, because we are primarily almost entirely family farms, is the stability. The wild oscillation in prices is very Darwinian on our farmers.

What I was impressed with, inasmuch as there is such an incredible group with a diversity of opinion, that they care very deeply about one another and are ready to pull together. So to the extent that we can bring a more rapid conclusion to that effort, that would be tremendously appreciated.

Along with it, and I really don't want to beat a dead horse here, but the EPA comes up all of the time. Our farmers up there, they are tremendous environmentalists. They believe deeply in conservation, but they are exasperated by what they view as an overreach. I know that is not your domain, but I wanted to share that with you. The spilled milk thing is an example. It looks like that

is going to come out okay. I had a meeting yesterday with EPA, but for farmers who can be skeptical, it added more fuel to the fire in terms of why don't they come out with that exemption. So to the extent that you can advocate for them as well, I think that that would be helpful.

The other piece of this, the Chesapeake watershed also has our farmers concerned. In New York State, they are looking at potentially going down to countywide standards. There have been some estimates in terms of what that cost implementation would be, but it is concerning. I know that the budget came forward and I think there is \$17 million in there now to address this, but we think we are going to be on the end of that pipeline and our farmers are very concerned of the impact that this potential regulation is going to do to their profitability.

There is some concern about the implementation of Dodd-Frank for our farmers, using instruments to hedge against risk. I know it was not the intent of Congress to use that bill to really adversely impact farmers, but of course farmers pull together in co-ops, and there is concern about how that is going to impact them going forward.

Finally, this has been a particularly tough winter in upstate New York, and of course we love the four seasons and that is why we live there. But the heavy snow and the ice has impacted as of last count, yesterday, we had 42 farmers who had roofs collapse attendant to the snow and ice. Your Department has been helpful, and we thank you for that. But anything that you can do to help the Administration to declare that a disaster area, that would be greatly appreciated. At this point, I will pause for your response.

Secretary VILSACK. The disaster debt declarations, Governor Cuomo would have to request it, and we would try to turn those around relatively quickly. Once we do, it does create opportunities that, absent such a declaration. I would encourage you to encourage the Governor to do it on a timely basis. We have had, unfortunately, circumstances when the Governors have let the time period go by, and there isn't any authority I have to waive that time period. It is important to do it in a timely basis.

On the Chesapeake Bay, one of the things that we are doing, USDA is attempting to quantify the degree to which producers are embracing conservation and stewardship in a way to try to allay concerns or fears that folks may have that farmers aren't sensitive to the environment. We did one recently in the Chesapeake Bay and we did one in the upper Mississippi River Basin, and it does reflect, as I indicated earlier, that farmers are indeed focused on conservation. The more we can be specific about that, I think the easier it is to make that case.

The CHAIRMAN. The gentleman's time has expired.

The chair now turns to the Subcommittee Chairman from Texas, Mr. Conaway, for 5 minutes.

Mr. CONAWAY. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. Last year your Department authorized or started an *ad hoc* disaster relief program that went to certain states, certain producers. Some crops were in and some crops were out, even though the producer was on the same farm, same disaster. I hope in your answer you will be able to look

us in the eye and unequivocally state that politics and who might vote for whom absolutely had nothing to do with the way that the money was distributed.

That leads me to the question of can you give us an accounting of where the money went and who got it so we can see a regional distribution of those moneys.

And my final question is: With previous *ad hoc* disaster payments, the producers had been required to sign up for crop insurance the next year as a condition to get into the program. So you waived that or just didn't put that in this time. Can you walk us through the criteria used for picking winners and losers in that program?

Secretary VILSACK. I will make an effort to do that. There was an effort to try to respond to the fact that when we put together the SURE program and other disaster programs, the idea in the 2008 Farm Bill was that we would sort of move away from what had been the case in previous disasters where you had *ad hoc* disaster relief.

When we put SURE together, it didn't really do as good a job for some producers as others. Cotton and rice producers did not fare very well under SURE, and there were circumstances where there was a substantial amount of moisture that impacted and affected those crops. And in doing so, we tried to designate it based on where that condition, the oversupply of water, if you will, created difficulties. That allowed us to identify roughly a thousand counties where farmers could potentially request this assistance.

We can give you an indication of where the farmers who signed up for this, where they come from. There were two other components. One was a poultry component which was very specifically designated and designed to try to provide assistance to poultry producers who were treated very unfairly, unfortunately, as a result of the bankruptcy of Pilgrim's Pride and other poultry processing facilities. And then there was an issue involving aquaculture that had some very difficult times with high feed costs.

So those were the sort of three groups of people that were attempted to be assisted.

We got \$20 million out to the aquaculture farmers. That is primarily in the South. We have gotten money out, roughly \$60 million, to the poultry producers. That was a handful of states. And then the balance, about \$170 million as of today, but it may very well be closer to \$200 million, a little over \$200 million when it is all said and done, to producers, where there were significant rainfalls, involving cotton, rice. And because of the nature of the counties, soybeans were also included.

If any of those individuals are in fact going to receive SURE payments as a result of SURE basically taking care of their crop, then there will be a deduction from their SURE payment for anything that they received under this particular program. So it sort of addresses the issue of soybeans.

Mr. CONAWAY. Well, is this an indication that the SURE program has failed? And also, look us in the eye and tell us that your new team used political reason—there was absolutely, unequivocally, no political considerations given to how you came up with the winners and losers under this plan?

Secretary VILSACK. From my perspective—I am answering your question, sir. From my perspective, we did the best job we could to handle the difficulties that farmers who were not treated fairly or as well as other farmers were under the SURE program. I think it is important.

I wouldn't say the SURE program failed because it certainly was beneficial to a lot of producers, and it certainly is the right direction. Can it be improved? I think that is part of the discussion that will hopefully take place in the 2012 Farm Bill. Are there ways of improving that kind of approach, because I think there is some merit to the approach.

Mr. CONAWAY. And the answer to my question that I have asked twice?

Secretary VILSACK. I thought I answered it, sir.

Mr. CONAWAY. Can you look us in the eye and unequivocally state that political considerations bore no—had nothing whatsoever to do with picking winners and losers under this plan?

Secretary VILSACK. From my perspective, what we did at USDA, that is correct. I honestly can't speak for anyone else in this process. I can just tell you what we did and why we did it.

Mr. CONAWAY. Didn't you do it all? Was this a program that was done in the White House? Where did this get done, if not in your shop?

Secretary VILSACK. It was done in our shop, and I am speaking for our shop. Basically what we did was we took a look at where SURE—

Mr. CONAWAY. So when we get the map—and I assume you will give us the map of where the money went, and overlay that against political maps—there won't be any correlation there that looks weird by region?

Secretary VILSACK. I don't think so. It has to do with where there was a significant amount of rainfall that made it difficult for plants either to be planted or to be harvested. And specifically, the crops that were negatively impacted were rice and cotton. So you are going to see states in the South—Mississippi, Arkansas, Alabama—that were obviously impacted and affected by this. You will see some counties in Illinois that were impacted by this.

Mr. CONAWAY. Let me ask you on the record, you didn't consider anything from a political standpoint in the way you orchestrated this program?

Secretary VILSACK. No, sir. I asked our staff to put together a program that would respond to the concerns that were being expressed to us by farmers and producers who felt that they were not being treated fairly because SURE didn't address their particular crop.

The CHAIRMAN. The gentleman's time has expired.

The chair now turns to the gentlelady from Missouri for 5 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman.

I would concur with a lot of my other colleagues here. Of course EPA is a huge concern. But I wanted to focus on GIPSA, and I know it has been discussed before. But in Missouri, there was a law passed a few years ago, a Missouri livestock marketing law, that went into effect that had basically some of the same impact

of this proposed rule. It ended up being rescinded in a special session of the legislature just a few months after it was implemented because of its very onerous impact on the livestock industry.

Swine, they say that based on what happened in Missouri with the dropped prices, the impact, that it cost roughly \$2.7 million in a 5 month period. If you were to extrapolate that across the United States, if this rule were to be implemented, U.S. swine producers would see about a \$279 million a year impact; cattle, \$728 million a year. All together, the hog and fed cattle producers would be over a billion dollars.

So I was wondering, first of all, are you familiar with what happened in Missouri as it relates to this proposed rule?

Secretary VILSACK. I am not specifically familiar with what you are talking about.

Mrs. HARTZLER. Okay. What impact does your Department believe it will have on the livestock industry dollar-wise if this should go into effect?

Secretary VILSACK. That is the reason we are doing an economic analysis. That has not yet been done. We wanted to get all of the comments and all the suggestions and concerns on the part of folks before we conducted an economic analyses. And we are taking all of that into consideration in formulating that analysis.

I would say there was an overarching concern, and there may be multiple reasons and explanations for this, but we have lost roughly a third of our cattle producers in my lifetime, and 90 percent of our hog producers. We felt that there is a need to ask questions.

When we did the anti-competition hearings around the country, we had a lot of people converse about the need for a packers and stockyards review and greater enforcement of packers and stockyards. So there was a good-faith effort to try to respond to the concerns that we have heard about the fairness or the lack of fairness in certain markets.

We put a rule together, obviously, which generated an awful lot of controversy and concern. A lot of people opined about it. We have taken all of that information into account, and we are going to try to put the best rule possible together.

Mrs. HARTZLER. This is a question as a new person here. So if it comes back that everybody's opinion is that it is going to be detrimental, will you withdraw the rule? Do you have that option, or are you going to move forward regardless?

Secretary VILSACK. Obviously, if it comes back and there is no benefit to the rule at all, obviously there is a problem with the way that we have structured the rule. And we would obviously have to rethink the position.

I will tell you that I would like to think that there will be consensus on some aspects of agriculture. But what I find in this job is that there is almost never consensus. There are always at least two sides, and oftentimes multiple sides, depending on where you are from and how small, medium-sized or large your operation is, and what you are producing.

And the challenge is to try to make sure that we have a fair market. That is what we are trying to do, is just establish a fair market. I think we can have a consensus on that, but how you get to

a fair market, there is a lot of difference of opinion on that. There is no question about that.

Mrs. HARTZLER. Well, I just hope you will take into account what happened in Missouri to us and why the legislature had to rescind it. And hopefully you won't do anything to negatively impact the livestock industry.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentlelady yields back the balance of her time.

That concludes this round of question. This is the point where I would customarily, before I adjourn, turn to my Ranking Member and ask for closing comments. Instead, I will offer my own comments.

Thank you, Mr. Secretary, for coming here and for demonstrating your patience with the schedule we are working on, on the floor. I note that whether it is rules or regulations, policy, there are a variety of things that this very diverse Committee has a lot of questions about, and you serve a pivotal role for rural American production ag. Thank you.

With that, under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplemental written responses from the witness to any question posed by a Member of the Committee.

This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 1:50 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

## SUBMITTED QUESTIONS

**Response from Hon. Thomas J. Vilsack, Secretary, U.S. Department of Agriculture\***

*Question Submitted by Hon. Timothy V. Johnson, a Representative in Congress from Illinois*

*Question.* Last October, you announced a biofuels infrastructure plan that included assistance through Rural Development to install 10,000 blender pumps and storage systems over the next five years. Given the cost of blender pumps this could be a very expensive commitment. Would you further discuss this infrastructure plan and how these projects would be funded? Do you envision using grants, loans, or loan guarantees? If your intent is to target urban areas where blender pumps are not currently deployed, does this mean you intend to utilize scarce rural development funds in urban areas, and which Rural Development program would be utilized for the deployment of blender pumps?

*Question Submitted by Hon. Reid J. Ribble, a Representative in Congress from Wisconsin*

*Question.* Mr. Secretary, I was encouraged to hear the Administration announce steps last month to begin to resolve one of the largest trade disputes we have that has hampered our agricultural exports, particularly of cheeses, to Mexico, a major market. Exports help our farm economy to thrive and it has been disconcerting to see Mexico impose retaliatory tariffs on cheeses and other agricultural products due to our noncompliance with NAFTA. American agriculture constantly faces this very same dilemma, as our trading partners often try to evade their agreements with us, so it is critical that we “walk our talk” by abiding by our own commitments. Given the impact this dispute has had on one of our largest agricultural markets, can you tell me where efforts stand to settle this matter as swiftly as possible, and what USDA is doing to continue to impress upon the other agencies involved that a resolution is urgent?

*Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota*

*Question 1.* What steps is USDA/FNS taking to build on the Education and Administrative Reporting System (EARS) that will evaluate the outcomes and impacts of successful programs, over and above the simple process measurements?

*Question 2.* In implementing SNAP Nutrition Education provisions, what steps is USDA/FNS taking to allow states and communities to propose and implement demonstration projects prior to FY 2013, using existing SNAP Ed resources included in Section 241 of the Healthy Hunger Free Kids Act of 2010. How might such demonstration projects be helpful to states in national planning and preparation during the transition period?

*Question 3.* Healthy Incentive Pilot—please provide an update of the status and scope of work, including how EBT coding, the timeline, potential for establishing baseline data for participants.

*Question 4.* Fresh Fruit and Vegetable Snack Program—what will be the allotments for the upcoming school year? Is there unspent money from last year? What percentage of those schools funded are high-need schools?

*Question 5.* Fresh Fruit and Vegetable Snack Evaluation—what is the status of this report? Are there results that can be shared?

*Question Submitted by Hon. William L. Owens, a Representative in Congress from New York*

*Question.* Last year I was joined by many colleagues from the upstate NY delegation, as well as many from the Dairy Farmer Caucus, in expressing to the Administration my grave concerns about the prospect of expanding U.S.-New Zealand dairy trade through the TPP and the billions of dollars in losses that could impose on the U.S. dairy economy. I know the state of the U.S. dairy economy has been an issue of particular interest to you, as it is to me. What is USDA doing to help ensure the Administration is fully aware of the negative impact that expanding U.S.-New Zealand dairy trade could have on our dairy sector?




---

\*There was no response from the witness by the time this hearing went to press.