

Keynote Address by USDA Secretary Tom Vilsack at 2013 USDA Ag Outlook Conference
Thursday, February 21, 2013

SECRETARY VILSACK: Thank you very much. I want to thank the Deputy for that kind introduction and for her leadership on a number of issues, including the local and regional food systems, which has become an integral part of not just this conference but of agriculture and the economic opportunity in Rural America. Her work with Know Your Farmer has really made a difference in this direct-to-consumer sales opportunity, which is now a multi-billion-dollar part of agriculture.

And I also want to thank Joe and Jerry for putting on this conference. It is amazing every year we come here and every year you all come here, and, Joe, every year you give the same damn speech.

[Laughter.]

SECRETARY VILSACK: But it could be worse, right, Joe? It could be worse.

I particularly want to thank Senator Daschle for spending a few minutes with us today. As the Deputy indicated, folks in Washington, D.C., and around the country have the highest level of respect for Tom Daschle. I will say a few words about him as I introduce him in a few minutes, but we are really pleased to have you, Senator. Thank you very much for taking your time.

So here's what happens when Joe and Jerry get together. They put together a program, and they decide to put a title on it, and then they broadcast the title and the program throughout the USDA halls. So everywhere I walk, I see these big posters, and on the posters, there is this "Managing Risk in the 21st Century." And I thought to myself, well, this is an opportunity for us, obviously, to celebrate the fact that we do indeed have expanding exports at record levels, and we are seeing an expansion perhaps beyond biofuels, as Joe indicated, into the bioeconomy where we are making more product, chemicals and fabrics and fibers, a variety of things from plant material and crop residue. We have got the local and regional food system expansion, which has been great news, and we have seen record expansions of farmers' markets and community-supported agriculture and food hubs as a result of the Deputy's work. And we've seen farmers embrace conservation with over half-a-million producers now engaged in conservation practices around the United States with record numbers of acres enrolled in conservation, record farm income, even more excitement among young people about agriculture.

In fact, the other day, I was in Iowa at the World Food Prize Headquarters. A young lady came up to me and said that she wanted to thank USDA for the work it's been doing recently, and I said, "Well, I appreciate that," assuming she was going to talk about the record farm income or the record exports. But what she wanted to thank us for was in the 1980s when she went to school and she majored in agriculture and she got her advanced degree in agriculture, she said she was a bit humbled and sort of embarrassed when she would tell her friends and family what she was doing. But because of what's been happening in agriculture today, because of the activities of USDA and of the folks in this room, she said agriculture is cool again, and I took

that as a great sign. And we've got some great young people here today who, no doubt, are passionate and excited about their future careers in agriculture.

So I'm thinking to myself what's Joe worried about, why do we have to manage risk, things seem to be going in the right direction, and then I began to make the list of all the things we actually should be concerned about. What dawned on me was that normally when you talk about agriculture and risk, as Joe just did, you talk about the weather, talk about drought, things that you may not have a lot of control over, but the uncertainty and the risk in agriculture today in many cases are manmade.

Let me give you a few examples. There is risk in the uncertainty with reference to budgets and the impending sequester to agriculture. You all know that March 1 will come, and if it comes before Congress has acted that the sequester will be triggered, and what that will mean for USDA is every line item, virtually every line item, of our budget will have to be reduced by a certain percentage, and that percentage could be somewhere in the neighborhood of 5 to 6 percent. And that's an annual percentage, which means we have to implement this reduction in the remaining portion of the fiscal year, which will be approximately 6 months. That means it is really the impact of the effect of a 10-to-12-percent reduction of our remaining resources, and unlike normal circumstances where the Congress will direct you to reduce funding but give you the flexibility to choose where and how, this is a direct prescription from Congress to reduce every line item by the same percentage.

Now, if you're fortunate to be in an agency or part of the Department that has lots of lines, you have some degree of flexibility, but if you happen to be in an agency like Food Safety where you have very few lines and where most of the lines involve people and labor, you have very little recourse. And that is a risk that we now face, because the only way we can absorb a cut of this magnitude is by impacting the people who work in the Food Safety area of USDA, and we all know that when we do that, it doesn't just impact those workers. It impacts all the processing facilities and plants and production facilities across the country.

Now, there's a way to resolve this. Congress could give us flexibility and say, "We didn't really mean every line item across the board with no flexibility in 6 months," or they could come up with a larger deficit reduction package that would avoid sequester. But if they fail to act, then we are required by law to invoke the sequester, and we will do what we have to do, because if, as you all know, USDA is guilty of spending money it doesn't have under the anti-deficiency law, there are civil and possibly criminal penalties associated with that. So we take our job very seriously at USDA. It's something we don't want to do, but it may be something we have to do, and this is a risk that is manmade.

The same thing is true on March 27th. March 27th comes, if Congress has not continued the budget process and provided a continuation of the Continuing Resolution or passed a budget, theoretically all government activity stops, and that, of course, would impact our trade promotion efforts. It would impact food safety. It would impact the ability to provide credit to farmers right at the time when they have to finalize the credit opportunities to put their crop in the ground. This is another risk that's manmade and can be avoided.

Then there is the uncertainty and the risk associated with not having a 5-year Farm Bill. We know that the Senate passed a Farm Bill last year. We know the House Agriculture Committee passed a Farm Bill last year, but it did not get done, and that now creates uncertainty as to what the safety net will be for farmers who are faced with the drought or the conditions that Joe just talked about, who through no fault of theirs they are facing economic disaster. Because we don't have a Farm Bill, those livestock producers that were hurt so badly in 2012, those dairy producers, those poultry producers, were not afforded the opportunity to have the kind of disaster assistance that was in effect the year before, and so they now face a financial risk that's manmade.

We need a Farm Bill—and I like to refer to it in our shop as a "food, farm, and jobs bill"—because we need to have certainty about what the safety net should be for our farm families. After all, they provide this country with some extraordinary security. We are a nation that can feed itself, and make no mistake about this, this is not something to be taken for granted, because many, many, many countries around the world cannot say that. It makes us a stronger and more secure nation, brought to us by American farmers and ranchers and producers. They need a safety net. If we are to build this rural economy and create economic opportunity for these young people that are excited about living and working and raising their families in a small community, then we have to complement production agriculture and its safety net with a strong commitment to the bioenergy and bioeconomy, the future where virtually every aspect of what we grow and raise can be used to produce virtually everything we need in our economy. It's how you actually strengthen and build a middle class in Rural America. We get back in the business of making, creating, and innovating, but you can't do that unless you have a food, farm, and jobs bill that has an energy title and a bioeconomy title. You can't continue to see the expansion of local and regional food systems and the entrepreneurial opportunities that that creates in rural areas unless you have a 5-year program, and you certainly can't resolve trade disputes, significant trade disputes, including the one we have had with Brazil over cotton, which could potentially jeopardize us in this country with the application of serious penalties, without a 5-year food, farm, and jobs bill. So those are risks in today's agricultural world that can be resolved by Congress doing its job and getting a bill passed.

Then there is the uncertainty of labor, another manmade issue, where agriculture relies to a great extent on immigrant labor, and everybody in this room understands and appreciates that a good deal of that labor isn't necessarily in this country legally. And that has been the case for a long time. This is a risk to agriculture, and we are beginning to see the implications of that risk because we've had crops that were grown last year that could not be harvested, because there simply weren't enough hands to pick them. It's important and necessary that we have immigration reform, that we create a system in this country that understands and appreciates the importance of immigrant labor and respects it and that creates a comprehensive set of reforms that secures our border, that creates responsibilities on those who are here illegally to pay a fine, to pay back taxes, to learn the language, and then creates an opportunity for these folks to be here legitimately, so that they can provide the labor and the work that's necessary for our producers, so we in this country can continue to enjoy the extraordinary diversity of agriculture that we have and that we can continue to afford the luxury of having some of the least-expensive food in the world.

Despite Joe's report about food inflation at 3 and 4 percent—that is actually more of a normal rate of inflation—we still in this country enjoy the fact that less than 10 percent of our paycheck is spent on food. You go to most other developed nations or developing nations, you're going to pay 15, 20, 25, 30, 40, 50 percent of your paycheck for food. So not only do American farmers, ranchers, and producers in this system here create this enormous diversity and this great food security we enjoy, but it also comes to us at an affordable price. But there's a risk if we don't have comprehensive immigration reform. It's a manmade risk. It can be resolved.

Then there is the uncertainty of trade barriers created by other nations. Right now, we're dealing with a decision made by Russia to impose a ban as a result of the use here of ractopamine that is not scientifically based and is contrary to international law. The Trade Representative's office and our office have stated very clearly it's our expectation that Russia will reverse that decision. That's another risk to the livestock industry that's manmade.

Now, fortunately, we got some good news yesterday, as the Scientific Commission from OIE has now indicated that the U.S. can now be considered a negligible-risk nation for BSE, and hopefully, that will be confirmed this summer. And we further got good news with additional opening of markets, particularly for our beef. Last month we talked about the opportunity that Japan is now affording for a wider market in Japan, which is good news, and we have had the Korean Free Trade Agreement and the opportunities that that presents. We have also seen Mexico relax some of its restrictions on beef purchases, and today, Hong Kong will join that list by indicating a willingness to take all deboned beef products of any age and bone-in beef less than 30 months, so an expanded opportunity here where trade barriers are coming down. But these barriers still exist, which is why it's necessary and important for USDA to have the resources and the ability and the personnel to continue to advocate for American farmers and ranchers all over the world. As these barriers are constructed, we have to tear them down.

Now, those are all risks that are faced, that we face in agriculture today that are all manmade, can be resolved with action by Congress or by the international community following science and rules. There are, however, risks that we can't control, and Joe talked about the drought.

Now, following the consequences of the drought last year, the President directed us to create a drought task force, which was made up of all federal agencies, to try to mitigate the impacts and effects of drought. That led us to begin thinking at USDA about steps we could take to help producers during a very difficult time, and we took a series of steps to try to mitigate the consequences. We opened up CRP land, and we provided some relief on crop insurance premium payments and things of that nature. But it also got us thinking were there other steps, other things we should be doing in order to provide help and assistance, and it occurred that perhaps we should be focused more acutely on the need to encourage multi-cropping throughout the United States in order for us to do a better job of conservation, in order for us to create additional biomass that could be a revenue source, and potentially allow us to conserve precious water resources with the use of cover crops from multi-cropping, which in turn would allow us to get through these drought circumstances in a more favorable circumstance. And so we have begun a process of looking at ways in which we could provide assistance.

You will be fortunate to hear from a fellow by the name of David Brandt, who is here, who will give a presentation during the course of this conference. Dave has got a no-till nutrient management system that he's put in place since the 1970s that involves multi-cropping and double-cropping. He tells us that this has increased the organic soil matter in his soil. It saves about \$100 an acre on nitrogen. It's increased his corn yield 7 to 10 bushels an acre and his soybean yields 8 percent. That is something that ought to get everyone's attention, and at USDA, we ought to be looking at ways in which we can reduce the manmade barriers to multi-cropping, so that that can be another strategy for managing risk, recognizing that there are different types of multi-cropping, whether it's double-cropping or cover crops or an integrated crop-livestock arrangement or even agroforestry. And so this year, we are going to spend time better understanding the barriers that exist for market availability, for product that could be produced, to the lack of insurance or the difficulties that we can create through our crop insurance programs that discourage multi-cropping, to looking at the effect on the yields of the primary crops that are being planted, and where our knowledge gaps exist in terms of the supply chain and the delivery system, so that we can encourage more of this activity. We will use our Conservation Innovation Grant money at NRCS to provide some financial assistance. We intend to develop an atlas that will provide producers a lot of information about what currently is working in multi-cropping arrangements around the country—there are great examples—and we will provide information on the steps that we will be taking to reduce those barriers that we have created within USDA. And we hope that we will do a better job of improving our communication about the conservation benefits that will come from multi-cropping and in turn give us yet another tool to deal with a changing agriculture and managing the risk of weather.

Now, as we started thinking about multi-cropping, it occurred to us that, indeed, we have a diverse agriculture in this country, and there are different production systems that people want to use. Some folks may want to use GE technology, and some people may want to go a conventional way, and some people may want to be organic producers. And it's important for us at USDA to recognize and to respect all production processes and trying to make sure that everyone has an opportunity to choose the type of operation that's best for their family and themselves. That's why we put together a group of folks, and we challenged them to think about how could we create a system and support in this country where different production processes could, in a sense, coexist in the same geographic area, recognizing that this is a tough question and that there are passions on all sides of this issue.

We put 22 people in a room for about a year and a half, and they had great leadership from Russell Redding, and these folks worked really hard to come to a set of recommendations and conclusions. They basically modeled what we ought to be doing in this town more frequently, which is coming together and figuring out where the common ground is, where the moderate middle is. They came up with a series of recommendations through what we called the "AC21 Committee," and today, we are posting on our website the next steps in that process, so that we can tell those 22 folks who worked hard that we are following through on their recommendations, and more importantly, we can tell producers of all types that there are ways in which we can provide help and reduce the risks that may be associated with different production processes trying to live in the same space.

We are going to engage in research, and we are going to look at ways in which we can create measures to strengthen this notion of coexistence. Part of that research will focus on creating an inventory of actual economic loss, so that we know precisely how often there may be circumstances where crops are compromised as a result of activities in other areas. We are going to do case studies, and we will better understand from those case studies exactly what the challenges and barriers are to this notion of coexistence. We hope to be able to develop best practices to be able to provide information, so as folks are looking at coexistence plans or stewardship efforts that they'll know precisely what works best. We are going to create a competitive grant, and that grant will basically fund a conference that will be held this year. We will bring experts in to discuss information about gene flow, so that we have a better understanding of precisely what happens, so in turn we can mitigate the risk of that occurring that could potentially be damaging to someone else's crop. We will continue to look at ways in which we can indemnify or compensate those who may have suffered an economic loss. We are going to have NASS basically review its data to get a better handle on how to price organic crops, because there is a premium associated with those crops, and they are, in a sense, sort of a different commodity, if you will, and some of the normal practices, the normal surveying techniques and so forth may not work quite as well for organics as they do for conventional agriculture. And that will give us enough information to be able to do a better job of understanding how to set up insurance policies and programs for these organic crops.

Then we will focus on seed quality. This spring, we will launch for the first time the National Genetic Advisory Council, and we will be tasking that council with looking at how we can evaluate the availability of non-GE seed for producers who might be working and producing in GE-sensitive markets. We will review and evaluate best management practices for the testing and monitoring and maintaining the purity of publicly held germplasm, because there is a concern about that, and we will hopefully continue our efforts at outreach. All of this is designed to manage, eliminate, mitigate the risk that is associated when folks want to do things a little bit differently, but they want to do it in the same general space. It is part of managing risk.

And then there is the large risk, the long-term risk that we face with a changing climate, and I will conclude with this. There is no question that the climate is changing. We recently furnished two assessments from USDA on the impact of changing climates on agriculture and forestry, and the conclusions were pretty obvious. Higher temperatures lead to more intense weather patterns. More intense weather patterns lead to greater stress for crops and livestock and increased tree mortality, and we at USDA have a responsibility to figure out ways in which we can mitigate the risk of something we really can't control, in a sense, when it happens. We can't control when a drought occurs. We can't control when a horrible tornado hits or when flooding occurs, but we can take steps to mitigate the impacts and effects of that.

So here's what we've done, and here is what we're going to do. We released this year, the first USDA Climate Change Adaptation Plan, and we are outlining practical steps that can be taken right now to reduce this risk. We are expanding pest forecasting, so we have better models to give people a sense of what happens with intense weather patterns and its impact on expanding pests and diseases, which are a risk that we need to control. We are going to incent and increase our efforts in soil health management and creating systems for farmers and ranchers that they might be interested in. We are going to have RMA work with its partners to create a web portal

that will provide information on climate and weather, so in turn we will have enhanced stability to adjust losses more quickly and more accurately. We have challenged the Forest Service to begin incorporating practical applications for mitigation and adaptation strategies for our forests and our planning and management system work.

Now, the next steps require developing a road map. We want to provide practical advice to our farmers and ranchers in ways in which they can reduce risk through the use of their property. We want to provide better support materials, so that they can create techniques and technologies that will allow them to mitigate the impact. We saw this with the drought. It's amazing, despite the drought, we still had a relatively large corn crop, given the extent and severity of the drought last year, and the reason we did is because of the technology and the techniques that our farmers use. So we need to better support applied climate-change research. We need to make sure that we have resources going into this research, so we could provide you with the information that allows you to manage this risk. We need to improve our outreach and our extension, so the information we have and our opportunity to provide help and assistance is disseminated more widely. And we will be able to do this by organizing this effort, perhaps around regional hubs, where we will recognize the differences of climate and the differences that climate has on various crops that are grown in different parts of the United States. We understand and appreciate that different regions have different needs. So we are going to be very aggressive in this effort, because we understand and appreciate after the floods of 2011 and the drought of 2012 that folks need this assistance and help, and by doing this, by taking these actions, we can hopefully mitigate and help you manage risk.

Why is this all important? It's pretty obvious. Rural America, as a result of most of the farming and ranching and production that takes place in Rural America, is the number-one place for food production in this country, which makes us a food-secure nation. It's the number-one place for most of the water that is consumed everywhere. It's the number-one place for the production of energy, of whatever source, whether it's oil or natural gas or renewables. It's the source of, as I say in virtually every speech I give, a disproportionate number of those who serve us admirably and bravely in our military. It is an important place in America, and the people who are working hard in that important place require us to do everything we can to allow them to continue to help make us a more secure and stronger nation. They will be able to deal with weather-related risk. They have historically. What they need is for us in Washington, D.C., to act, to cooperate, to agree, to compromise, to get through the process, so we aren't faced with budget uncertainty, that we do have a 5-year farm program that provides a strong safety net and incents the types of activities that can help encourage greater economic growth, that we can continue to knock down trade barriers, that we resolve the farm labor issue with a decent comprehensive immigration law. That's what they deserve, and we at USDA are going to do everything we can to help make that happen, but we need you to be engaged in this process. We need you to encourage those in Congress to help us help you.

We want to continue to make agriculture cool. We want these young people to be inspired by the fact that agriculture is the answer to the moral dilemma of our time, how we feed an ever-increasing world population as resources become scarce. It is agriculture in rural parts of this country and around the world that will provide the adaptation and mitigation strategies to sequester carbon to control and to mitigate the impacts of climate change. It is agriculture and

rural parts of this country that will provide a new energy future for this country, and it is agriculture that will help spur a new American economy that is focused again on making and innovating and growing and manufacturing and exporting. That's why this is important, because the long-term security and safety of this nation is absolutely dependent on us managing these risks that we have identified today and that will be identified over the course of the next couple of days. It's that important to this country, and you all can help.

Now, one man who understands this, better probably than most, is Tom Daschle. I can say a lot of things about Tom Daschle. I can talk about his military career, having served our nation in the Air Force. I can talk about his service in the House of Representatives, his extraordinary leadership in the Senate, being, I believe, the only person ever to serve as a Majority Leader and a Minority Leader. That says a lot about this man in terms of what his counterparts thought of him. But I prefer to talk about Tom Daschle, the father and grandfather. The reason I do is because I think you can tell the measure of a man or a woman by their children.

Tom has got three great kids. I've had the pleasure of knowing all three. His daughter Kelly is a journalist, an award-winning journalist for AP. His son, Nathan, is a social entrepreneur, and his daughter Lindsay, my favorite—he can't say that—worked at USDA, and she did an extraordinary job of helping to lead a first-ever effort called the Rural Council when President Obama established a council of all federal agencies that are involved in Rural America. Lindsay basically led that effort, and she left the USDA because she had a calling to help kids in trouble, and she's pursuing an advanced degree in social work. And her proud father told me just a few days ago that she's getting straight A's. Three great kids, four great grandchildren, that says a lot about Tom Daschle.

And what he's going to share with you today are his insights. I saw him the other day at a lunch in one of the restaurants in Washington, D.C., and what impressed me the most about what I saw was that virtually no one entered that restaurant without stopping at Tom Daschle's table, and we are fortunate and privileged to have him here today. Ladies and gentlemen, Senator Tom Daschle.

[Applause.]