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DEPARTMENT OF AGRICULTURE BUDGET PRIORITIES FOR FISCAL YEAR 2003

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, MARCH 6, 2002

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DEPARTMENT OF AGRICULTURE BUDGET PRIORITIES FOR FISCAL YEAR 2003

WEDNESDAY, MARCH 6, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 2:24 p.m. in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee) presiding.

Members present: Representatives Nussle, Gutknecht, Hilleary, Thornberry, Collins, Hastings, Brown, Putnam, Spratt, Clayton, Price, Hooley, Baldwin, and Hoeffel.

Chairman NUSSLE. The full committee hearing on the budget, Department of Agriculture budget priorities for fiscal year 2003, is the subject matter of this full committee hearing.

We have one witness today, and that witness is the very Honorable Secretary of Agriculture, Ann Veneman, who we welcome back to the committee. The hearing today is intended to examine how the President's budget for fiscal year 2003 addresses three important issues confronting America's farmers, agriculture, and food security in this country:

Number one is expanding market opportunities for agriculture; Two, providing relief to farmers from regulatory burdens that they face; And three, maintaining an adequate safety net for rural producers affected by unpredictable fluctuations in weather or the ag economy.

Although the President's budget assumes enactment of the farm bill which provides for $73.5 billion over 10 years, it is likely that while the administration has, in the past, not been specifically involved, they are now fully engaged. We are interested in hearing today what the outline of the administration's farm bill proposal will be.

In addition to that, we are interested in reviewing the budget from the administration. Last year we had some discussion over service delivery from the FSA offices, other offices that are on the ground floor of delivering services for farmers. I want to tell you, just from my own experience in Iowa, that there has been a dramatic—well, maybe not dramatic, but certainly an appreciable improvement in the delivery of service. I want to be complimentary not only of your leadership but also of the good people who serve all of us in those field offices.

Then, finally, to talk a little bit about trade. We are in an obvious situation where the economy needs a shot in the arm. We have always felt—or many of us have felt—that trade at least could pro-

vide an opportunity in that arena; although never perfect, certainly some opportunities that we would be interested in hearing from you today.

Finally, before I turn it over to Mr. Spratt, let me suggest what we are hearing from the farm bill conference. While the House version of the farm bill is not perfect, and I don't think there is anyone, maybe one or two that might be willing to come forward and suggest that what the House produced is a perfect bill—what we have all learned in the agriculture policy is that there is no such thing as perfect. Certainly there is no such thing as one size fitting all perfectly.

Let me suggest that the Senate version of the bill, which appears to be more of an attempt to get to conference and do everything they could to please every interest and provide all the money as is humanly possible within some construct, is not workable if it provides all of the front-loading of that money and leaves no money available in the last 5 years for farmers.

So I think there is a real deep concern on the part of those of us both in ag country, but also for those of us who believe in fiscal responsibility, that it is unworkable and unrealistic to assume that agriculture is not going to make the same demands in the second 5 years that it made in the first 5 years.

So we have some real challenges, and that is in part why we are very interested in the testimony from the Agriculture Secretary today.

Before she begins, let me also—just for the record—compliment Rich Meade and Tom Kahn for their work Saturday morning in talking about the budget on C–SPAN. It is kind of nice to see our staff step forward and do that. They did an excellent job, particularly when the minority staff director was complimenting the chairman as much as he did. I certainly appreciate that. I don't know what he is looking for, but I am watching my back, let me just tell you. No, they did an excellent job, and I think it does point out that we have an excellent staff that serve us in all of our capacities, and I think they exemplified that on Saturday morning talking about the budget priority and the challenges that face our country. With that, Mr. Spratt.

Mr. SPRATT. Thank you, Mr. Chairman. I understand they had a good conversation until they had a constituent from Iowa call in. The name was Nussle, or something like that, I think.

Madam Secretary, I will spare you an opening statement. Let me simply extend to you a warm welcome. This is an important topic—a vitally important topic, and we are looking at a substantial increase in the budget for agriculture. We would like your viewpoints on the cost to the changes and what the agriculture program looks like 5 and 10 years down the road. The $75 billion increment, are we adding something that will be permanent and likely sustaining, or is this a temporary fix for a sector of our economy that sorely needs help?

Thank you for coming. We look forward to your testimony.

Chairman NUSSLE. All members will have 7 legislative days to put in an opening statement at any point in the record, without objection.

[The information referred to follows:]

PREPARED STATEMENT OF THE HON. ADAM PUTNAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Thank you Mr. Chairman, and Mr. Spratt for this opportunity to review the fiscal year 2003 budget for the Department of Agriculture. Welcome Secretary Veneman. I appreciate the diligent work that you and your Department have undertaken to address the concerns of farmers and ranchers in the State of Florida and across the Nation. However, I am sure you would agree there is much work to be done.

Today I would like to touch upon some of the specifics of the Department of Agriculture's Strategic Budget Plan. In particular, I would like to address the need to protect U.S. plant and animal resources from inadvertent as well as intentional pests and disease threats. I would also like to highlight the importance of issues related to food safety through enhanced inspection and coordination efforts.

The administration's 2003 budget proposal includes $1.1 billion for the Animal and Plant Health Inspection Service (APHIS) reflecting the continued and enhanced challenges to protecting U.S. agriculture at the borders. I understand that this request will be used to more effectively detect and respond to a pest or disease outbreak, enhanced monitoring and surveillance for pest and disease outbreaks. Once detected, prompt eradication of an outbreak is essential to limit damages and reduce overall control costs. The 2003 budget requests $162 million in appropriations to continue funding several eradication programs, including the Citrus Canker eradication program, vital to my home state of Florida. I am concerned that the declassification or normalization of the eradication program will lessen the urgency to see it through.

Apprehension regarding food safety and proper food inspection procedures represent a major area of concern for all Americans. Safeguarding our food supply through adequate inspections is the first line of defense in establishing a strong and well-fortified agriculture infrastructure for homeland security. The Agricultural Quarantine Inspection (AQI) program provides the front line of defense against the introduction of plant and animal pests and diseases, whether unintentional or by terrorist activity.

Ensuring the continued strength of our Nation's agriculture infrastructure requires an investment in services to protect farmers, ranchers, and consumers from the threats of crop and animal pests and food-born diseases. I understand that a number of steps have been taken to safeguard our food supply and ensure the Department has the ability to prevent pests and diseases from harming agriculture and the food system. As a result of the devastating outbreak of Foot and Mouth Disease that hit the United Kingdom and other parts of Europe, the Department conducted an intense review of its safeguarding programs. Actions have been taken to increase the number of inspection personnel at U.S. ports of entry by nearly 40 percent, and double the number of inspection dog teams from levels 2 years ago. This is progress but with only 700 inspectors the work that remains to be done remains enormous. We need to utilize the resources of departments and agencies to work together and cover as much ground as possible.

Last October, at a Government Reform subcommittee hearing on Biological Warfare Defense, I raised the need for greater communication and coordination between HHS' Food and Drug Administration and the U.S. Department of Agriculture's (USDA) Food Safety Inspection Service, which hold joint jurisdiction in the protection of our food safety. I want to strongly encourage collaborative actions between the two agencies, particularly in the coordination of inspection responsibilities and the sharing of information.

I understand that efforts have begun to streamline and consolidate inspection capabilities between FDA and FSIS. Currently, one agency's inspectors may be present at a site and the other agency may lack the resources to provide inspection services. Through cross-deputization of agency inspectors, we may improve our inspection capabilities and optimize staff resources. Similarly, disparities and overlap between agency responsibilities to inspect food products should also be reviewed. I wish to encourage concerted and continued efforts between Federal and State agencies with the goal of providing more comprehensive and efficient safeguarding of our Nation's food supply.

Chairman NUSSLE. And with that, Madam Secretary, your entire testimony will be made part of the record and you may proceed and summarize as you see fit. So welcome.

STATEMENT OF HON. ANN M. VENEMAN, SECRETARY, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY: JAMES R. MOSELEY, DEPUTY SECRETARY, DEPARTMENT OF AGRICULTURE; KEITH COLLINS, CHIEF ECONOMIST, DEPARTMENT OF AGRICULTURE; AND STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Secretary VENEMAN. Thank you, Mr. Chairman. It is an honor for me to be here with you and the ranking member, Mr. Spratt, and other members of the committee to discuss our 2003 budget for USDA, and some of the other important issues that we are dealing with this year.

Here with me today is our Deputy Secretary, Jim Moseley; our Budget Officer, Steve Dewhurst; and our Chief Economist, Keith Collins.

I truly appreciate our working relationship with this committee and look forward to working with you, Mr. Chairman, and all the members of the committee during this budget process. I appreciate you accepting my written testimony for the record, and I want to provide a few thoughts on some recent issues that are important to agriculture, particularly that which you highlighted, the farm bill.

Passage and implementation of a new farm bill is a top priority of USDA and of the administration. Both the House and Senate have passed separate and different versions of the new farm bill. Conference has begun, and the administration is working closely with the conferees during this process, and we are already working at USDA to ensure an efficient implementation process is underway once a conference bill is agreed upon and signed by the President.

We, like you, hope that the conference will move quickly in reaching consensus. But I agree with what Chairman Combest has said, and I have said it many times before: It is much more important that we get it done right. Policies that serve the best interests of the farm sector are critical, and this administration is committed to that cause.

Mr. Chairman, you mentioned the issue of funding for the farm bill. The President has said that a farm bill should adhere to the $73.5 billion in additional spending over 10 years that was agreed to by the House and Senate Budget Committees last year. He has also said that it should be spread evenly over that 10 year period. While there has been some debate recently on what the 5 year funding number should be, the President feels strongly that we shouldn't spend an unreasonable amount of money in the early years, which could shortchange farmers down the road.

We think a fair and responsible level of additional support for the first 5 years is around $37 billion or about half of the 10-year total in the budget resolution. That is much closer to what the House has agreed to spend during the next 5 years, and doesn't cheat our farmers out of assistance over the long term, or open the door to spending in excess of the budget resolution. We would strongly oppose any farm bill that exceeds the generous budget limits we have outlined, and I would again add that the House-passed farm bill complies with these limits.

The new farm bill must provide adequate support for farmers without encouraging them to overproduce, thereby depressing prices which, of course, is self-defeating.

By setting loan rates too high, we could easily further reduce producers' return from the marketplace. Loan rates are a critical issue, and the new farm bill will determine what future rates will be. The administration has been on record as favoring the loan rates that are in the House measure. We need to make sure that future loan rates don't cause an undue burden on any particular sector, yet at the same time move us toward a more market-oriented system.

The House-passed farm bill increases funding for fixed decoupled payments for farmers, and continues the current marketing loan program for traditional marketing crops. These types of programs provide farmers a consistent, predictable income safety net, while maintaining market-oriented planting flexibility.

The administration has supported farm savings accounts as a way to give farmers and ranchers an additional risk management tool that complements our traditional farm programs. Some have misconstrued this to mean these savings accounts would replace commodity programs. Quite to the contrary. They are proposed as an additional resource that could help farmers manage their economic risks.

The Senate measure includes a very small pilot program on farm savings accounts, but we would like to see the conferees consider a broader approach to this program.

The President has also said that the new farm bill must support trade and be consistent with our international obligations. Increased trade is absolutely critical to America's farmers. You have an administration and a President that feel strongly that a new farm bill should not work against our farmers in the international marketplace. Both the House and the Senate versions of the farm bill have significant increases for conservation programs. That kind of commitment is unprecedented.

We need to make sure that conservation programs give farmers and ranchers the ability to better manage their land while giving them the utmost flexibility.

Regarding trade, creating new opportunities for America's farmers and ranchers in the global marketplace is a very important priority. In the past few weeks, several issues have come to the forefront in this regard. Yesterday, Mexico suspended the recently imposed tax on the use of high fructose corn syrup in soft drinks. This tax, which was the latest in a string of trade issues related to sugar and high fructose corn syrup, threatened U.S. exports of corn and corn sweeteners. As Ambassador Zoellick said yesterday, we welcome this move by the Fox administration. Our concerns about Mexico's unjustified antidumping duties on high fructose corn syrup have not been addressed, and we will continue to work with Mexico to resolve the full range of sweetener issues.

On another issue, last week we learned that Russia announced plans to suspend U.S. exports of poultry. The Russian market is a very important market to America's poultry industry. We export nearly one-fifth of our poultry production, and nearly 40 percent of that goes to Russia. So we are very concerned about this decision

and its potential impact. The messages have been unclear from Russian Government officials as to the reasoning behind this announcement. However, Ambassador Zoellick and I have been very clear. We see no reason for this action. We have personally had discussions with high-level officials from the Russian Government.

A joint USDA–USTR–FDA team is scheduled to depart for Russia this week to seek a resolution to this critical issue that could cause a serious disruption of trade to this part of the world.

As you know, the President just returned from Japan and China. In both visits, the President discussed some of the problems we are having with regard to agricultural trade. The biotechnology regulations proposed by China are of particular concern. If implemented as currently announced, they could do severe harm to our exports, particularly to our soybean exports and our farmers who rely heavily on this market.

Ambassador Zoellick and I have dispatched Allen Johnson, Chief Agricultural Trade Negotiator at USTR, with a team from USDA and USTR to China. They are there right now to try to seek a solution that allows our exports to continue without interruption.

China is now part of the WTO. That holds great opportunity for America's farmers. But China has an obligation to abide by the rules of the WTO. We need to hold them to those obligations and work to ensure unfair barriers are not put in place that hurt our producers. We will continue to keep you and other Members of the House and Senate briefed on the status of these issues.

Mr. Chairman, let me conclude my opening remarks this afternoon by saying that today, America's farmers and ranchers face many critical and challenging issues. We know that the current economic climate in the farm sector has been hampered by large foreign supplies, various natural disasters, a struggling global economy, and a high value of the dollar that have slowed growth and demand for agricultural products. We have seen commodity prices decline, and without government support many in the farm sector could suffer. The events of September 11 have further caused additional burdens on the agricultural economy.

However, with all of these circumstances and events, there are bright spots in agriculture. As Keith Collins, our long-time and well-respected chief economist has said, many markets have slowly improved since 1999, but there is much work to be done to provide assistance to our farm sector, and this administration is committed to doing what needs to be done to strengthen our farm economy. We hope to do that with a new farm bill, increased vigilance on homeland security, securing new trade opportunities, additional conservation and land stewardship programs, and a commitment to enhancing our rural communities, among other priorities.

The USDA budget submitted by the President moves us in the right direction. Our budget protects farm program spending with an additional $73.5 billion in support, as agreed to by both the House and the Senate budget resolutions. It strengthens homeland security and infrastructure protections; that is, pest and animal disease prevention and eradication, food safety, and the research that supports those activities. Our budget promotes trade opportunities for our farmers and ranchers by providing tools to help our

producers export. It also provides a record-level nutrition safety net for families who need assistance.

Our budget promotes good conservation and environmental stewardship, so critical to our farmers and ranchers today. The budget also invests in our rural communities which often are in need of our help, particularly in tough economic times.

Finally, our budget expands initiatives to make sure that we can make government work better for the citizens that we serve. Whether farmers, consumers, or low-income Americans, we want to ensure that the programs are readily available and accessible to the people who come to us for assistance. We believe that this is a responsible budget. It funds key priorities and programs at USDA.

I want to thank you again, and we look forward to working with you during the budget process to advance the priorities that we have outlined. I would now be happy to answer the questions from you and members of the committee. Thank you very much.

Chairman NUSSLE. Thank you, Madam Secretary.

[The prepared statement of Ann Veneman follows:]

PREPARED STATEMENT OF THE HON. ANN M. VENEMAN, SECRETARY, DEPARTMENT OF AGRICULTURE

Mr. Chairman, members of the committee, it is an honor for me to appear before you to discuss the fiscal year 2003 budget for the Department of Agriculture (USDA). I have with me today Deputy Secretary Jim Moseley; our Chief Economist, Keith Collins; and our Budget Officer, Steve Dewhurst.

I want to thank the committee again this year for its support of USDA programs and for the long history of effective cooperation between this committee and the Department in support of American agriculture. I look forward to working with you, Mr. Chairman, and all the members of the committee during the 2003 budget process.

As you know, the President's budget was released on February 4. Total USDA outlays for 2003 are estimated to be $74.4 billion. This is an increase of $11.1 billion above the level requested in 2002, and it is only slightly below the 2002 enacted level.

The Department is addressing the Nation's new priorities in light of the September 11 events in a fiscally responsible manner. This requires recognizing our priorities and making difficult funding decisions. I can assure you that USDA has done just that in preparing its 2003 budget proposals.

We have also taken actions to assure that the $328 million of emergency supplemental funds made available to USDA for security needs in 2002 will be invested in ways to meet high priorities, particularly to improve USDA's biosecurity operations for the long term. We are working closely with the Office of Homeland Security and we have established a USDA Homeland Security Council to coordinate our security efforts and track progress in using those funds to ensure that priority needs are met. The Council will play a significant role in establishing the final plans for use of those funds.

For 2003, this budget supports the administration's principles for the 21st Century as stated in our report, Food and Agricultural Policy: Taking Stock for the New Century, issued last fall. Specifically, the budget does the following:

Ensures that the new farm bill will be generously funded by providing an additional $73.5 billion in mandatory funding over the 200–11 period to develop sound policies for farm commodity and income support, conservation, trade, food assistance, research, and other programs.

• Supports the administration's goal of opening new markets overseas and expanding U.S. agricultural exports by providing over $6 billion in export program support.

• Provides the largest increase ever for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) thereby supporting 7.8 million program participants.

• Provides support for over 20 million food stamp participants including legislation to allow more legal immigrants to participate and other changes to simplify complex rules, support working families and improve program delivery.

• Protects agriculture and our food supply from potential threats—intentional or unintentional—and requests more than $146 million in new spending for food safety, pest and animal disease prevention, and research.

• Improves the Department's management of its delivery of programs.

• Improves the stewardship of our soil, water and forests by making more resources available for conservation uses with less money spent for overhead expenses.

• Maintains funding to support loans, grants, and technical assistance to address a diversity of rural development needs including financing electric and telecommunications systems, water and waste disposal systems, rural housing, and business and industry.

With this as an overview, I would now like to discuss the details of our budget proposals for each of the Department's mission areas.

FARM AND FOREIGN AGRICULTURAL SERVICES

The farm sector in recent years has experienced lower market returns for several major commodities and losses from various disease, pest and other natural disaster-related causes. Supplemental assistance has been enacted to prevent farm income declines. While the situation is improving for some commodities, market returns in other areas of the farm economy are still low. The President's budget for 2003 provides for an additional $73.5 billion in direct spending over the 2002–11 period to fund new legislation to replace the expiring 1996 farm bill. This level is consistent with amounts contained in the Congressional Budget Resolution. We will work with Congress to develop a bill which contains sound policy consistent with the principles we have laid out for 21st Century agriculture.

The new farm bill should be generous but affordable. It should provide a reasonable safety net without encouraging overproduction and depressing prices, establish farm savings accounts to help manage risk, support our commitment to open trade, offer incentives for good conservation practices on working lands, and enhance nutrition programs.

INTERNATIONAL TRADE

In conjunction with the new farm bill, it is essential that we also lower trade barriers and open new markets overseas since trade is critical to the long-term health and prosperity of the American agricultural sector. Enhancing the competitiveness of U.S. agriculture in the world marketplace must also be one of the primary objectives of our farm policy.

One of the most important strategies for enhancing trade is continuing the liberalization of global agricultural trade. America's farmers and ranchers stand to gain a great deal from further trade reform through increased access to markets overseas and a reduction in unfair competition in those markets.

The new round of multilateral trade negotiations is at the center of our trade liberalization efforts. Our agenda for agricultural reform negotiations includes substantial reductions in tariffs and increased market access, elimination of export subsidies, reform of State trading enterprises, and tighter rules on trade-distorting domestic support.

We also are pursuing trade liberalization through both regional and bilateral negotiations, and we are closely monitoring existing trade agreements to ensure that our trading partners comply fully with the terms of those agreements and do not institute technical barriers to trade that run counter to their spirit.

Another strategy laid out in our review of 21st Century agriculture is ensuring we have the proper tools needed to expand exports in an increasingly competitive environment. This starts with the granting of Trade Promotion Authority (TPA) to the President so that we can demonstrate to our trading partners that the United States is serious in our pursuit of free trade objectives and in our negotiating proposals. We urge the Congress to enact this important legislation early this year. We also very much want to work with the Congress to craft provisions of the trade title of the new farm bill so that they are consistent with the principles we have established for 21st Century agriculture.

Our work in the international area begins with the Foreign Agricultural Service (FAS), the Department's lead agency in implementing many of our international activities, and which plays an absolutely critical role in our trade expansion efforts. For 2003, the budget provides $140 million for FAS, an increase of $10 million above the 2002 level. Included in the FAS request is much-needed funding to sup-

port an e-government initiative that will upgrade the agency's information technology (IT) resources and capabilities, and modernize its business practices and operations. Over the last year, FAS has faced a series of computer-related crises that have threatened to cripple agency operations and communications. This is a particularly serious problem for an agency that has offices throughout the world and must work closely on a daily basis with many different agencies, such as the State Department and Office of the U.S. Trade Representative.

The FAS proposals also include increased funding for the Cochran Fellowship Program. This is a highly successful program that has provided training and helped to establish positive linkages with many agriculture officials throughout the world. The additional funding will expand programming in a number of important areas, including biotechnology, food safety, and World Trade Organization accession requirements.

Another key to having the proper trade expansion tools is to ensure adequate funding for the Department's export promotion and market development programs, which our budget proposals are designed to do. For the CCC export credit guarantee programs, the largest of our export programs, the budget includes a program level of $4.2 billion. This is an increase of $300 million above the projected 2002 level, reflecting continued very strong growth in the supplier credit guarantee program. For the Foreign Market Development (Cooperator) Program, Market Access Program, and Quality Samples Program, the budget includes a total program level of $120 million, unchanged from this year's level, and $63 million for the Dairy Export Incentive Program, a slight increase over the current estimate for 2002.

As the committee is aware, the administration has undertaken a review of U.S. foreign food assistance activities in order to reform and rationalize their implementation and to strengthen their effectiveness. Among the results of that review is the decision to provide a more secure and predictable foundation for our overseas food aid activities by reducing their reliance on the year-to-year availability of surplus commodities. At the same time, these activities will largely be funded through discretionary sources, subject to Congressional review and approval, and with reduced reliance on mandatory CCC funding. Accordingly, the budget provides increased funding for food aid donations under the P.L. 480 Title II program, while donations of commodities under section 416(b) authority that rely on the purchase of surplus commodities by CCC will not be continued in 2003. The budget includes a total program level of $1.35 billion for P.L. 480 in 2003. Based on current price estimates, total commodity shipments under P.L. 480 programs in 2003 should reach 3.7 million metric tons.

FARM PROGRAM DELIVERY

Farm Service Agency (FSA) salaries and expenses are funded at $1.3 billion in 2003. This would support continuation of staffing levels at the current 2002 levels of about 5,800 Federal staff years and 11,250 county non-Federal staff years, including about 2,000 temporary staff years. We expect the workload for FSA to remain relatively heavy in 2002 and 2003.

In order to help FSA meet this workload challenge, improve service to farmers and enhance operating efficiency, the budget provides increased funding of $56 million for FSA's information technology efforts related to the Service Center Modernization Initiative. This includes an acceleration of geographic information systems and other common computing environment initiatives to help move the delivery system into the e-government era. The budget presents these funds as well as funds for the other Service Center agencies under the Common Computing Environment appropriation to ensure that these activities are well coordinated.

Management initiatives to modernize farm credit program servicing activities and to review the Service Center office processes and structure of FSA, Natural Resources Conservation Service (NRCS) and Rural Development (RD) will also be undertaken in an effort to improve our ability to provide services at less cost.

CREDIT

We have also included in the budget a program level of about $4 billion in farm credit programs to assure that farmers have access, when necessary, to federally supported operating, ownership, and emergency credit. No additional funding is being requested for the emergency loan program. Based on current estimates, the budget assumes that carry-over funding in the emergency loan program will be sufficient to meet demand in 2003.

CROP INSURANCE

The budget for this mission area also includes full funding for the crop insurance program. The budget includes such sums as necessary to meet producers demand for the program given that participation in the program is voluntary on the part of producers. The program is delivered by private insurance companies, and the Federal Government reimburses the companies for their delivery costs. The companies also receive underwriting gains on policies for which they retain the risk of loss. In 2000, Congress substantially reformed the crop insurance program, in part, by providing for substantial increases in the premium subsidy available to producers, especially at higher levels of coverage. As a result, participation in the program increased substantially. With the increase in business, private insurance companies have received a windfall as underwriting gains have increased about 400 percent from the levels of the early 1990's. This budget includes proposed legislation which would cap underwriting gains at 12.5 percent of the retained premium.

MARKETING AND REGULATORY PROGRAMS

Marketing and Regulatory Programs agencies provide basic infrastructure to protect and improve agricultural market competitiveness for the benefit of both consumers and U.S. producers.

PESTS AND DISEASES

Helping protect the health of animal and plant resources from inadvertent, as well as intentional pest and disease threats from terrorists, is the primary responsibility of the Animal and Plant Health Inspection Service (APHIS). The importance of this responsibility was recognized by the inclusion of $119 million specifically for APHIS in the Homeland Security Supplemental funding for 2002. These funds will be used to: improve effective border protection, in part through the purchase of equipment and the hiring of anti-smuggling personnel; work with the States to expand survey efforts for plant and animal pest and disease detection; and meet enhanced building security and other needs. Of the total, $14 million will be used to relocate certain biohazard laboratory facilities to a facility on the National Veterinary Services Laboratories campus in Ames, IA.

For 2003, we are requesting a net increase of about $120 million over the regular 2002 appropriation for APHIS salaries and expenses which consists of over $262 million in increases partially offset by $142 million in decreases. While we have successfully kept foot-and-mouth disease and bovine spongiform encephalopathy (BSE) out of the United States, our inspectors remain highly vigilant, in part, because of bioterrorist threats. The $1.1 billion 2003 budget request for APHIS reflects continued and enhanced efforts to protect U.S. agriculture at the borders, and also to promptly detect and respond to a pest or disease outbreak, among other activities. An increase in total program level of about $19 million is devoted to enhance Agricultural Quarantine Inspection, and an increase of another $48 million is devoted to enhanced monitoring and surveillance for pest and disease outbreaks.

Once detected, prompt eradication of an outbreak is essential to limit damages and reduce overall control costs. The 2003 budget requests $162 million in appropriations to continue funding several eradication programs that had been started with funds transferred from CCC. Such continuing activities can no longer be considered "emergencies." These funds will be used to combat species such as the Asian Long-horned Beetle, citrus canker, Mediterranean fruit fly, chronic wasting disease, plum pox, rabies, scrapie, and tuberculosis. For any new emergency pest and disease outbreak, our legal authority to use CCC funding would be relied upon. However, the administration is concerned about rising Federal costs of emergency pest and disease control and expects to seek public comment on flexible criteria to share the financial burden with cooperators who receive benefits from program activities.

MARKETING

Another important proposal in this area involves the Grain Inspection, Packers and Stockyards Administration (GIPSA). The budget includes a total program funding level of $43 million to help ensure efficient market functioning. Included within this total is about $2 million being requested for improved enforcement of anti-competitive laws and monitoring the use of new technologies to evaluate livestock carcasses. Another $450,000 is requested to expand the newly established biotechnology program to keep pace with the rapid introduction of new products and the need for commodity certifications. A further $3.4 million is requested to enhance the ability of GIPSA to electronically provide and receive data and information. The GIPSA budget also proposes user fees to recover costs of the U.S. grain standards

program, as well as license fees to recover costs of the Packers and Stockyards program.

For the Agricultural Marketing Service (AMS) the budget includes an increase of $1 million to expand international market news reporting in Central America, South America, and Asia and increase the availability of accurate, timely, and unbiased international market information. This type of real time market information is required for American producers to be competitive in a global economy. The budget also requests an increase of $1.6 million to implement improvements to the Pesticide Data Program and the Federal Seed Act Program. Improvements to the program infrastructure for these programs are necessary to ensure effective delivery of program services to American agriculture.

FOOD SAFETY

A safe food supply is one of the foundations of a successful food and agricultural system. As we have witnessed, highly publicized outbreaks of food-born illness have demonstrated how important safeguarding public health is to both consumers and producers. With the threat of terrorism, we must be even more vigilant in safeguarding the Nation's food supply. USDA plays a critical role in safeguarding the food supply and its policies have contributed to the recent decline in pathogenic contamination of meat and poultry products. This administration believes that continued investment in the food safety infrastructure is necessary to ensure that the appropriate personnel, tools, and information are available to address the emerging food safety hazards that threaten public health and the viability of our agricultural system. Therefore, the budget includes record funding for the Food Safety and Inspection Service (FSIS).

For 2003, the budget proposes $804 million, an increase of about $28 million over the 2002 current estimate. Funds are requested to cover the costs of Federal inspection and for maintaining Federal support of State inspection programs. This includes resources necessary to maintain approximately 7,600 meat and poultry inspectors which will ensure the uninterrupted provision of inspection services.

In addition, the budget requests an increase of $14.5 million to improve FSIS' information technology infrastructure. FSIS' existing, disparate information systems will be replaced by a new system with enhanced data sharing capabilities. Upgrading these important information systems will lead to improved science-based decision-making for risk assessment and risk management functions, as well as improved resource management.

The budget also requests an increase of $2.7 million to conduct slaughter epidemiological surveys and risk prevention activities for small and very small establishments. These surveys will improve the quantity and quality of data available to FSIS for use in evaluating the effectiveness of inspection strategies to detect animal disease outbreaks and the food safety guidelines to limit the impact of those outbreaks.

The 2003 budget includes a commitment to review the current overtime fee structure for meat, poultry, and egg products inspection, including an analysis of the manner in which fees are assessed and the underlying statutory basis for those fees. There is no budget impact in 2003 as a result of this action, however, the analysis of the current fee structure will begin immediately. The budget also proposed a new annual licensing fee that will make funds available, beginning in fiscal year 2004 and in subsequent years, to invest in food safety inspection technology and other Federal programs that directly benefit the industry.

FOOD, NUTRITION, AND CONSUMER SERVICES

The budget includes $41.9 billion for USDA's domestic nutrition assistance programs, the highest request ever, targeted to help Americans in need. This request reflects our commitment to the nutritional safety net, and to helping participants find and retain jobs, and move toward economic self-sufficiency.

A major component of the nutrition safety net is the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). The budget requests a record level of $4.8 billion for WIC, almost 10 percent above the 2002 appropriation. The request funds average annual participation of about 7.8 million participants, and it provides an additional $150 million contingency reserve should additional demand for WIC appear. This request reflects the growing demand for WIC and it also reflects a firm commitment by this administration to ensure that resources are directed to programs that make a real difference in peoples lives. WIC is just such a program. Ensuring funding for WIC is one of our major priorities and is critical to the administration's goal of guaranteeing stable funding for this important program.

The Food Stamp Program is funded at $26.2 billion, an increase of almost $3.2 billion above the 2002 level. The increase would cover a projected 2-percent increase in food costs with average participation of about 20.6 million people. This is an increase of about 2 million participants over the most current month reported, November 2001. The request also includes a $2 billion contingency reserve, in case it is needed to support a higher than expected level of participation.

Also of great importance is reauthorization of the Food Stamp Program. The budget contains several legislative proposals for food stamps that are consistent with the principles we have laid out for 21st Century agriculture. These proposals would:

• Allow legal immigrants who have resided in the U.S. for 5 years or more to apply for food stamps. This is consistent with welfare reform as it would bring the Food Stamp Program into conformity with other public assistance programs such as Medicaid and the Temporary Assistance for Needy Families programs that work in concert together at the local level. This change provides a nutritional safety net for these legal immigrants while maintaining requirements that they look first to their earnings, resources and the support of their sponsors to meet their needs.

• Index the standard deduction to a percentage of poverty, so it adjusts both to reflect household size and changes in living costs. This, along with standardized medical and dependent care deductions (and several other program simplifications) will allow States to focus more on helping households get back on their feet, and less on complex and error-prone details.

• Exempt one vehicle per work-able household member from being counted as an asset to facilitate participant efforts to seek and retain employment.

• Eliminate the requirement that 80 percent of the Employment and Training funds going to childless unemployed adults so that States can more flexibly direct these resources to help those most likely to use them.

• Reform the Quality Control System to focus on recurrent error problems. Although error rates are at their lowest level ever, States issued nearly $1.3 billion in overpayments and underpaid eligible households by nearly $460 million. This is just too high. The proposed changes would allow States to receive meaningful incentive awards for good performance and only sanction States with two consecutive years of error rates exceeding the 75th percentile for all States. Enactment of these changes will help all stakeholders to strive for even better performance.

The Child Nutrition Programs are budgeted under current law at $10.6 billion. The request anticipates an increase of about 2 percent in food costs, growth in the programs due to the increased number of school aged and younger children, and some expansion in the breakfast and child care food programs. Program integrity will continue to be a focus for these programs, not only to ensure the proper allocation of Child Nutrition funds, but also because far larger sums of Federal and State education money are targeted to low-income schools based on free and reduced price lunch data.

NATURAL RESOURCES AND ENVIRONMENT

The Natural Resources and Environment mission area promotes conservation and sustainable use of natural resources on the Nation's private lands through education, technical and financial assistance. The mission area is also responsible for meeting public demands for recreation, timber and other goods and services through management of approximately 192 million acres of National Forests and grasslands. The budget includes approximately $6 billion in budget authority for the Natural Resources and Environment agencies.

The importance of conservation programs has grown well beyond their historical purpose of protecting productive topsoil for the purpose of food production. We are now realizing the significance of agriculture's impact on other areas of the environment such as water quality. In addition, public awareness and concern for the Nation's natural resources have continued to grow as we gain a better scientific understanding of soil and related resource problems and how best to address them. The 2003 budget request in the conservation area recognizes these developments, as well as the need to protect the conservation partnership that has evolved over the years between the Department and conservation districts and farmers.

The budget request for the Natural Resources Conservation Service (NRCS) for 2003 proposes $1.2 billion in appropriated funding, and assumes $1.0 billion in mandatory funding for the Environmental Quality Incentive Program (EQIP) within the Commodity Credit Corporation (CCC) baseline, including estimated spending in the new farm bill. The appropriated request includes $787 million for conservation technical assistance (CTA) which represents the foundation of the Department's conservation partnership, as well as the primary means by which the Department implements many of the critical natural resource programs such as the Conservation

Reserve Program (CRP) and the conservation initiatives that will be called for in the new farm bill.

Addressing the problems associated with polluted runoff from animal feeding operations (AFOs) remains one of the most critical challenges and continues to be a high priority within the Department. To help AFO operators develop and implement nutrient management plans, NRCS will increase the level of technical assistance funding in 2003. Financial assistance that AFO operators might need to implement the plans will come from the EQIP.

The Department's 2003 budget request maintains funding for the 348 Resource Conservation and Development (RC&D) areas now authorized and will also be sufficient to support any new areas authorized in 2002. The ongoing program will continue to improve State and local leadership capabilities in planning, developing and carrying out resource conservation programs.

While maintaining and strengthening those conservation programs and activities that are vital to a healthy natural environment, the 2003 budget ceases funding those programs that have not performed well, that have a limited scope, or that have goals that can be better addressed through other programs. The Forestry Incentives Program falls in this general category and is not to be continued. In addition, all non-emergency watershed planning and operations funding will be redirected to other higher priority work within NRCS. Although support for regular watershed operations and planning is being terminated, the 2003 budget does propose to fund the Emergency Watershed Protection (EWP) program at an appropriated level of $111 million, which is an amount equal to the 10-year average for EWP spending. This would provide an important level of security to rural areas in the event of sudden and unforeseen natural disasters, and would enable the Department to respond to these disasters in a much more timely manner.

Under the Common Computing Environment budget an increase of $13 million is included for NRCS activities for telecommunications costs, GIS implementation, cyber-security initiatives and enhanced access for customers.

The budget requests almost $4.9 billion in budget authority for the Forest Service (FS). The budget includes management reforms to increase resources directed to the field to achieve more on-the-ground work, continues the administration's commitment to the National Fire Plan, and emphasizes tangible contributions toward sustainable resource management.

To ensure that the public gets the most value for its tax dollars, the Forest Service will become more efficient and streamline to increase funding at the field level, and continue to improve agency accountability. FS has developed an initial workforce restructuring plan that includes significant management reforms which will reduce layers of supervision and administrative support.

The Department recognizes the importance of the continued implementation of the National Fire Plan. The budget includes approximately $1.5 billion in funding for the National Fire Plan. The budget maintains funding for priority activities and is faithful to commitments made to increase efforts to fight wildfires, reduce the risk of fire, and assist communities, and includes approximately $235 million for hazardous fuels reduction; $627 million for fire preparedness; and $443 million for fire suppression activities.

Funding for the National Forest System is increased $36 million. This includes an additional $15 million to expedite endangered species consultations, $5 million to assist in implementation of the National Energy Plan, and $7 million to expand recreation, heritage and wilderness management.

State and Private Forestry programs are funded at approximately $282 million. This includes a new $12 million emerging pest and pathogen fund to respond to new introductions of non-native or invasive pests or pathogen. In addition, the budget includes full funding of the Forest Service portion of the Land and Water Conservation Fund (LWCF), including an additional $5 million in the Forest Legacy program to protect against the loss of forests from development.

The Forest Research budget is proposed at $254 million. This includes an additional $5 million for bio-based products and bioenergy research and an increase of $20 million to fully implement the Forest Inventory and Analysis program to provide timely information on the status and trends of the Nation's forest resource conditions.

RURAL DEVELOPMENT

The administration's principles for rural development are to recognize the diversity of rural America and the importance of the non-farm economy to rural communities; to create an environment that will be attractive to private investors to rural areas, encourage greater education and technical skills for rural residents, and cap-

italize on rural America's natural resource base; to protect lives and property against certain hazards, such as forest fires; to expand rural infrastructure, and to serve as a coordinator among the various levels of government and private sector stakeholders in rural development activities.

USDA's rural development mission area has the primary responsibility for administering programs to meet these principles. The 2003 budget includes over $1.9 billion in budget authority for rural development programs that would provide almost $11 billion in loans, grants and technical assistance for a variety of purposes, including the financing of electric generation and distribution systems, telecommunications, water and waste disposal and other essential community facilities, rural housing, and business and industry. The 2003 budget also includes a request for about $685 million for the administrative expenses for these programs.

The total amount of budget authority for Rural Development is $2.6 billion, which is approximately at the 2002 enacted level. However, the budgetary resources have been realigned so that the 2003 budget allows USDA to efficiently and effectively meet the needs of rural America. Most programs are funded at approximately the 2002 enacted levels. About 60 percent of the program decreases are due to reductions in demand. The 2003 budget also reflects the annual changes in subsidy rates due to different technical and economic assumptions. Funding for Round II Rural Empowerment Zones and Enterprise Communities Grants and Multifamily Housing loans for new construction has not been requested.

The telecommunication programs are funded at program levels of $495 million in direct loans for the regular programs, $50 million in direct loans and about $25 million in grants for the distance learning and medical link program, and $80 million in direct loans and $2 million in grants for the broadband and internet services program. These are the same levels as appropriated for 2002 except for distance learning and medical link direct loans, and broadband and internet services grants. For the past few years, USDA has requested and received program level funding for $300 million in direct loans for the distance learning and medical link program. Unfortunately, there have been very few applicants because

potential applicants are more interested in the grant program. The reduced level of funding for 2003 is expected to fulfill actual demand.

As for broadband and internet services, the program was established on a pilot basis in 2001. The $2 million in program level funding available for grants in that year was targeted to a few small communities that could not qualify for loans due to a lack of repayment ability. While there is no lack of demand for grants for this purpose, the Department believes that communities should bear a substantial portion of the cost of such services, which means the program should focus on loans rather than grants, as reflected in the budget request for 2003. Further, the Department is again proposing that no funding be provided for Rural Telephone Bank (RTB) loans. The RTB is fully capable of obtaining funds to make loans through commercial channels which would encourage privatization.

The water and waste disposal program would be funded at a level of $814 million in direct loans, $75 million in guaranteed loans and $587 million in grants—the same as appropriated for 2002. This program provides safe drinking water and waste disposal for rural residents and encourages business and industry to locate in rural areas which means more jobs and a more diversified rural economy.

The business and industry guaranteed loan program is funded at a program level of $733 million. This is the same amount that will be available from the 2002 appropriations.

The single family program levels for 2003 would support $957 million in direct loans and nearly $2.8 billion in guaranteed loans—enough to provide about 50,000 home ownership opportunities.

The rural rental housing program would be limited to a program level of $60 million in direct loans for repair and rehabilitation and related purposes and $100 million in guaranteed loans for either new construction or repair and rehabilitation. The Department is concerned about the substantial cost to the government for rental assistance payments to support its existing portfolio of about 17,800 existing projects. These projects have an outstanding balance owed of close to $12 billion. Many of these projects are over 20 years old and in need of repair or rehabilitation. The Department has already initiated a review of alternatives for servicing the portfolio. This review will also consider options for making loans for new projects at less cost to the government.

RESEARCH, EDUCATION, AND ECONOMICS

To maintain the unparalleled success of U.S. agriculture, it will be necessary to make investments in research, education, and economics as new challenges confront

the agricultural sector. Continuing to provide a secure food supply and maintaining and strengthening U.S. farmers' competitive advantage in world markets within a restrained budget will require a close assessment of priorities.

The 2003 budget for this mission area totals $2.3 billion. For ongoing programs, there is an overall net increase of $15 million. There are increases for critical intramural and grant programs, decreases for less critical projects—many of which were specific congressional earmarks for projects that could be funded through competitive programs—and a reduction of $102 million in the Agricultural Research Service (ARS) buildings and facilities account following the large appropriations in 2002.

The 2003 budget for ongoing research and information activities in ARS is $1.014 million, a net increase of 3 percent above the 2002 enacted level. The budget includes an increase of $13 million for emerging, reemerging, and exotic plant and animal diseases, such as BSE and Food and Mouth Disease (FMD), to protect the U.S. food supply and increase the product longevity and market quality of agricultural commodities; an increase of $9 million for bio-based products and bioenergy from agricultural commodities, two initiatives that are supported by the President's national energy policy; an increase of $6.5 million for global climate change to improve our understanding of carbon sequestration and support other aspects of the administration's climate change research initiative; an increase of $5 million to develop advanced pathogen detection capabilities needed for homeland security; and several other critical initiatives.

We are pleased that Congress has responded positively to the urgent need for a modern animal health facility in Ames, Iowa with combined appropriations of $113 million in the regular and supplemental appropriations acts in 2001 and 2002. In this regard, we are in the process of preparing a report at the request of the Appropriations Committees on our estimates of costs for the entire project, the planned construction schedule, and our plans for managing this major, multiagency undertaking.

The 2003 budget proposal for the Cooperative State Research, Education, and Extension Service is just over $1 billion. The National Research Initiative (NRI) is funded at $240 million, representing an increase of $120 million from 2002. The Federal Government plays a unique role in its support of the basic research needed to maintain the technology-based competitive advantages we currently enjoy in so many segments of the economy. In recent years, there have been especially large increases in Federal commitments for research in support of medicine and national defense. Unfortunately, commitments for agricultural research have not kept pace and opportunities to take advantage of some of the Nation's best university-based scientific talent are being lost. The budget proposal for the NRI will enhance agriculture as a scientific discipline; it will provide opportunities to partner with other Federal agencies and bring an agricultural perspective to topics of mutual interest; and it will make a contribution toward encouraging and training the next generation of agricultural scientists. Formula-based programs for research and extension are continued at the 2002 level, and the budget provides an increase of $2.4 million for higher education programs.

The 2003 budget for the Economic Research Service (ERS) is $82 million which supports the ongoing program of work and provides increases for two initiatives. An increase of $2.7 million will support the ERS share of the joint effort with the National Agricultural Statistics Service (NASS) to improve the Agricultural Resources Management Survey, known as ARMS, generating more dependable and statistically defensible results and making results available through web-based dissemination. This national survey of farms provides data and analysis to characterize the economic conditions and rapidly changing structure of the agricultural sector. ARMS is the primary source of information about the financial condition, production practices, use of resources, and economic well being of America's farmers. As the principal source of data, ARMS makes it possible for ERS to answer key questions from USDA policy officials, Congress, Executive Branch officials, and other decision makers about the differential impacts of alternative policies and programs across the farm sector and among farm families.

An increase of $2 million will support the second initiative on the effects of invasive pests and diseases on the competitiveness of U.S. agriculture. The results of this initiative will provide information that can be used to help guide resource allocation for efforts to exclude and control invasive species. A major portion of this work will be to assess cost effective means of the public sector in reducing economic risks to U. S. agriculture from invasive species while preserving economic gains from trade and travel.

The budget for NASS is $149 million which includes an increase for four initiatives. An increase of $15.5 million is requested for the cyclical change in statistical activities associated with conducting the 2002 Census of Agriculture, with 2003

being the peak in the 5-year cycle. NASS's portion of the initiative to improve ARMS is $4.6 million. In addition to improvements discussed previously, this funding will support research efficiencies to integrate the ARMS program with other data collection efforts. The NASS request also includes about $5 million in increases for additional computer security, for development costs to move to electronic collection of data, and for development of an annual locality based county/small area estimation program to provide statistical data below the State level.

DEPARTMENTAL MANAGEMENT

The Departmental staff offices provide leadership, coordination and support for all administrative and policy functions of the Department. These offices are vital to USDA's success in providing effective customer service and efficient program delivery. Salaries and benefits often comprise 90 percent or more of these offices' budgets, leaving them little flexibility to reduce other expenditures needed to continue their operations. The 2003 budget proposes funding needed to ensure that these offices maintain the staffing levels needed to provide management, leadership, oversight and coordination.

These offices also have key responsibilities related to the President's Management Agenda and other departmentwide and agency-specific management reforms, which are crucial to making the Department an efficient, effective and discrimination-free organization that delivers the best return on taxpayers' investments. The 2003 budget requests funding to achieve the following management priorities:

• As a direct result of the events of September 11, the budget request includes specific changes to increase the level of security and emergency planning for the Department.

• We will continue to streamline the Service Center agencies (FSA, NRCS and RD) to improve efficiency and customer service. We will also continue our efforts to provide electronic services to USDA customers. A key element in these plans is the completion of a common computing environment for the Service Center agencies and acceleration of our efforts to acquire and use geographic information systems.

• We will continue efforts to process employment and program civil rights complaints in the Department in a fair and timely manner and promote a working environment in which discrimination against employees or customers is not tolerated.

• We will continue to develop departmentwide administrative information systems so that decisionmakers can receive timely and reliable information on the Department's finances, people and purchases. These systems will also make the Department's administrative operations more efficient by eliminating redundant, stovepiped and aging information systems. They are critical to the Department's ability to achieve and maintain a clean opinion on its financial statements and adequate computer security.

• We will continue to strengthen our information security program to better protect USDA's valuable information assets from intrusion and theft. We will also develop an Enterprise Architecture, which is a key planning and risk management tool for information technology investments.

• We will put more of the Department's work up for competition and increase the use of performance-based contracting to generate savings and efficiencies.

• We will continue renovations of the South Building to ensure that employees and customers have a safe and modern working environment.

• We are proposing to fund rental payments to the General Services Administration (GSA) in the budgets of agencies occupying GSA space instead of a central account in order to hold USDA managers accountable for the full cost of their programs.

• The budget also provides increased funding for the Office of the Inspector General to help it address an expanding workload and provide active assistance to USDA agencies. It also provides for re-engineering audit and investigative activities, streamlining operations, and increasing office efficiencies.

That concludes my statement. I look forward to working with the committee on the 2003 budget so that we can better serve those who rely on USDA programs and services.

Chairman NUSSLE. Let me turn immediately to the farm bill and ask you three general questions: one on timing, one on money, and one on just general goals and policy. What is your opinion or what is the administration's opinion or advocacy with regard to timing of the farm bill? When should the conference complete its work, in the opinion of the administration?

Secretary VENEMAN. Well, I have had conversations as late as yesterday with Chairman Combest, and they certainly hope to complete the work on the farm bill before Easter. That is their goal, and we would certainly agree with that goal and are working very hard with the conference to try to make sure that that timetable is achievable.

Chairman NUSSLE. And in part, I think the reason time is of the essence is certainly predictability and planning decisions need to be made. But is there a position from the administration with regard to the possibility of an emergency or emergency payments if, in fact, the farm bill is not completed before Easter?

Secretary VENEMAN. Well, again, Mr. Chairman, we are hopeful that a farm bill will be completed. In the event that it is not, we would be certainly willing and able to work with the committee and the Members of the Congress to work out an appropriate supplemental. As we know, the money has been certainly set aside through the budget resolution and carried in the President's budget as well, the $73.5 billion over 10 years; but, again, we are hopeful that an agreement can be reached on the farm bill before we would have to make a distribution on a supplemental.

Chairman NUSSLE. Well, I agree with you. I think it would be the height of your responsibility to move directly to a supplemental for agriculture when we have had over a year's worth of opportunity to begin the debate and the discussion and the field hearings and all of the negotiations that need to go into a farm bill. This is not news to anybody, particularly those of us who, you know, believe that agriculture is pretty important to our States and our constituencies. And so, to somehow change the focus to a supplemental I think would be irresponsible, given the opportunity that a farm bill reauthorization brings.

Second is money. As you noted and I have noted and many others have noted, while both bills seem to somehow get under the wire with regard to the scorekeeping of $73.5 billion, the Senate bill does it in an interesting way, to say the least. In other words, it puts all the money in the first 5 years and shortchanges the second 5 years in a number of very important categories, which is just unrealistic; again, I believe irresponsible. Certainly a strategy to get to conference, because they were having trouble getting anything passed on the floor, so they had to say yes to everybody to get it to conference. But do you have a test? Would a good test be that, for instance, half the money has to be spent in the first 5 years and half the money has to be spent in the second 5 years? Is there a test that we can use, thumbnail at best, to show the Congress, the administration and, for that matter, farmers that this is a realistic approach from a budgetary standpoint?

Secretary VENEMAN. Mr. Chairman, as I said in my opening statement, we believe that the money should be allocated in a fairly even manner over the 10 years for which the money has been designated, and we believe that if we are looking at a 5-year number, that ought to be roughly half of the $73.5 billion. We think that makes sense. We think that gives farmers more predictability.

Our concern about the Senate bill is that by front-loading the money in the initial years, that it will shortchange farmers in the later years. In fact, in the Senate bill there are a number of pro-

grams that are funded during a 5-year period that are not shown as having money allocated for the second 5-year period. So in that respect, it would create uncertainty for farmers, and I don't think any of us want to create that kind of uncertainty for our farmers.

Chairman NUSSLE. Or uncertainty for taxpayers who foot the bill for this, appropriately so, at least again for those of us who support the safety net, but one that would I think fall on pretty difficult ears in the future if we don't show a responsible fiscal pattern here. I think 50:50, over a 5 and 5 time span, is at least a good thumbnail beginning of at least a tester of a fence.

And finally, has the administration yet—and you touched on it briefly—but could you reexamine what the goals of the administration would be generally for a farm bill? What do you want to see generally within these parameters as you begin the negotiations, as we hopefully complete the negotiations?

Secretary VENEMAN. Yes, Mr. Chairman. As I mentioned in my opening remarks, we want a bill that fits within the parameters of the budget as outlined, one that does not front-load, one that provides a safety net for farmers, that is as market-oriented as possible and does not encourage overproduction, which thereby depresses prices and creates oversupply. We would like a bill that is consistent with our trade obligations, and we would like to see a bill that provides adequate—or significantly additional conservation programs, particularly for working farm lands.

As I said, we believe both the Senate and the House bill provide significant additional funding for conservation, and we think that is a good thing. Obviously, there are a number of issues to be resolved in the conference. I would say the final issue is a new risk management tool for farmers. A farm savings account to help them put away into something like a 401(k) account in the better years; money to use in the years that are more difficult, giving them an additional tool to manage risk on their own account. In talking with farmers and ranchers around the country, they like the opportunity to have more risk management tools, because farming is such an uncertain business.

Chairman NUSSLE. Well, as one of the lead sponsors on the farm savings accounts, I appreciate that advocacy. I am not sure we can accomplish it within the farm bill conference, but it is something important for us to consider at Ways and Means. You sound as though, just judging from those five goals, we are close on four. The biggest challenge, it appears—we are close on market. We are close on the production issues. We are close on safety net. We are close on compliance with trade. The biggest issue here is does it fit within the budget realistically, and that one is clearly outside the goal.

So you may be interested in knowing that one of the considerations that is being made at this point in time is that a delegation from the Budget Committee be sent to the farm bill conference. We are working with the Speaker's office at this point in time. No decision, I don't think, has been made yet but it would be my intention to go and ensure that farmers have a similar safety net in the second 5 years as they do in the first 5 years and that it fits within a responsible budget. So if we do have the opportunity to go, that will be my advocacy, and I am happy that the administration is there as well. So thank you for your testimony.

Mr. Spratt.

Mr. SPRATT. For clarification—you may have said it and I may have missed it—does the administration support a 10-year extension as opposed to a 5-year period for the farm bill? Have you taken a stand on that issue?

Secretary VENEMAN. We have not taken a strong stand on that issue, though we have said that we have some concerns about extending a farm program out 10 years because, like other businesses, this is a rapidly changing business environment for our farmers and ranchers. There is some concern about locking us in for a 10-year period of time.

On the other hand, as I said earlier, we want to make sure that the amount of money that has been designated by the two budget committees which is designated for a 10-year period is allocated in a way over the 10-year period; regardless of whether or not it is a 5-year bill or a 10-year bill, that it doesn't shortchange farmers in the longer term for the sake of putting more money in the shorter term. So, I think that the issue of whether it is a 5 or 10 year bill is not as important as how we allocate the money overall.

Mr. SPRATT. How much money do you have in your request for homeland security?

Secretary VENEMAN. We have added, I think, $142 million additional this year. In addition, we got $328 million out of the defense supplemental appropriation bill recently signed by the President. So we are certainly taking a lot of action with regard to homeland security.

Mr. SPRATT. Could you tell us just briefly, a thumbnail, as to where that money is going, what you are using it for?

Secretary VENEMAN. Just one second. On the 2003 request, we have roughly 3,500 agriculture quarantine inspectors currently located at U.S. ports and over 7,600 meat and poultry inspectors that would be funded through our meat and poultry inspection; and major research programs, exotic diseases and emerging, that represent threats to the food system.

In addition, we have research complexes in Ames, IA; Plum Island, NY; Athens, GA; Laramie, WY; and Fort Detrick, MD where research and diagnostic work is done, where we would want to put some additional funding to make sure our laboratories are in appropriate condition.

Our 2003 budget includes increased funding to strengthen key elements of our infrastructure, a $19 million increase in the AQI program for improved point-of-entry inspection programs by providing additional inspectors, expanding canine teams and state-of-the-art high-definition x-ray machines at high risk points of entry on the Canadian and Mexican borders and Hawaii and elsewhere. It would include a $5 million increase to strengthen the capability of APHIS, to assess and monitor outbreaks of disease in foreign countries that have the potential to spread to the U.S. A $48 million increase for plant and animal health monitoring to enhance the ability to quickly identify and respond to outbreaks that may occur. While we have longstanding efforts that have kept FMD or foot and mouth disease, and BSE or what is commonly referred to as "mad cow" disease out of the U.S. Funds would be used to improve the emergency management system which coordinates and

implements a quick response to an animal or plant pest or disease outbreak.

Now, I might add that these are issues, particularly on the animal health side, that we have been dealing with extensively over the past year because of the outbreak of foot and mouth disease particularly in the U.K., the spread of BSE with new cases in Japan, and so we have been putting considerable focus on these issues even before 9/11, and enhancing our efforts in regard to animal diseases. Now, of course, we are putting even more emphasis on these kinds of programs with the threat of intentional as well as unintentional possibilities of threats to our food system.

We also have a $12-million increase for other APHIS programs to expand diagnostic response management and other scientific and technical services. We have a $28-million increase to provide additional funding for the Food Safety Inspection Service, supporting food safety activities including maintaining 7,600 meat and poultry and egg inspectors. Within the $28-million increase is $14.5 million to improve the information technology infrastructure and $2.7 million to conduct slaughter epidemiological surveys and risk prevention activities for small and very small establishments. There is a $34-million increase to support research aimed at protecting our agriculture and food system from attack by animal and plant diseases, insects, and other pests.

Mr. SPRATT. Are you satisfied at the level of funding and with the coverage of all the risk?

Secretary VENEMAN. We continue to review and enhance all of our programs. We believe that with the $328 million that we got through the defense supplemental appropriations, in addition to what we have added in 2002 by reallocating resources because of things like the foot and mouth disease scares, together with our requested increase for 2003, that year we would be adequately covered if these requests were funded.

Mr. SPRATT. Switching gears completely, I would just ask you kind of a global question. I come from an agricultural district; at least half of it is cotton farmers, soybean farmers, tobacco farmers. And they are all hurting, every one of them. First, with respect to tobacco farmers, is there anything being contemplated by the administration for buyout of the tobacco program, the quota program, funded, say, by levies or some kind of imposition on tobacco?

Secretary VENEMAN. First I want to just say that I have traveled around the country quite a lot, talking to farmers all over the country, and I can tell you that I am hearing the same thing you are in terms of farmers that are hurting out in the countryside.

On the tobacco side, there has been some buyout of quotas through some of the State programs. I believe Maryland bought out quotas with some of their tobacco settlement money. At this point, while I have heard some discussion among various interest groups about the possibility of looking at quota buyouts, we are not currently discussing such a possibility—or such a system within the administration.

Mr. SPRATT. Let me ask you about the other commodity programs, just broadly and generally. I have read—it may have been an exaggeration, but I have read that in recent years, last year, a third—$1 out of every 3 earned by large farmers came from the

Federal Government, particularly if they were farming program crops. Is that roughly correct?

Secretary VENEMAN. Let me have Keith Collins, our chief economist, comment on that quickly.

Dr. COLLINS. If you look at U.S. agriculture as a whole, out of net farm income, government payments were equal to about half of net farm income. If you look at program costs——

Mr. SPRATT. Last year?

Dr. COLLINS. That was in 2000.

Mr. SPRATT. Half.

Dr. COLLINS. Half. If you look at program crops themselves, food grains, feed grains, cotton and rice, government payments are equal to about 70 percent of net farm income last year.

Mr. SPRATT. Well, as you look at something like that, you have to ask yourself how long can this kind of system be sustained? Don't misinterpret this as hostility toward the system. I am sympathetic to my farmers, but I have to wonder what is the resolution of this. And the generic answer seems to be trade. We have got to open up farm markets, because the domestic markets are pretty well served already. What is the answer, long run?

Secretary VENEMAN. Well, I think you are right, sir, that we have to look at markets for our ag products overseas. Certainly there has been some impact on our ability to export from the value of the dollar. We need to maintain the markets that we do have overseas. We export about 50 percent of our wheat, this year it is going to be 50 percent of our cotton, and the list goes on and on. We are a very export-dependent industry, and so not only do we need to open up new markets, but we need to make sure for the health of our farm economy that we keep our markets open that we have for our farm products here in this country.

That concerns me, and that is why I brought up a number of the issues in my opening statement about markets we are trying to keep open.

I agree with you that over the long term, as we said, we want to have programs that provide a safety net that are as market-oriented as possible. Any farmer you talk to would prefer to get his or her income from the marketplace rather than from the government, and so I think that we need to move our programs as much as we can to make sure that they are as market-oriented as possible.

We indicated our concern about getting loan rates too high. They are much higher in the Senate bill and we are concerned that they may create more overproduction, thereby depressing prices and creating even more oversupply.

Mr. SPRATT. Thank you very much.

Chairman NUSSLE. Mr. Gutknecht.

Mr. GUTKNECHT. Thank you, Mr. Chairman, and thank you, Madam Secretary, for coming today. Normally this is a tough committee for some of the members of the Cabinet to come to, because we are the committee that says no. The good news for you is we have already said yes, and we have already agreed in the House, and we thought we had an agreement with the Senate to a 10-year plan at $73.5 billion. Somewhere between the Senate committee

and today, they now have a program that looks an awful lot different, and it makes it very difficult for us.

I am concerned and you have already expressed concern about the front-loading in the Senate bill. I am very worried about what will happen after that 5-year period is over under the terms and conditions of the Senate bill. For example, a large number of critical programs, like milk price support programs, the wetland reserve program, value-added product market, development grants, mandatory ag research funding is completely eliminated after the first 5 years. Other programs that are very important to our environment, like the environmental quality incentives program, otherwise called the EQIP program, and farmland protection are cut anywhere from 50 to 80 percent.

I am very concerned about that, and I wonder if you could discuss that for a few minutes.

Secretary VENEMAN. Well, I am looking at a list that is very similar to that which you are going through, and that is absolutely true. The Senate bill provides for, for example, as you said, a dairy program in the first 5 years that has absolutely no funding for it in the second 5 years. Like you said, the environmental quality incentives program, a key program, particularly for our livestock producers as they work to comply with waste disposal and water quality issues, has more funding in the first 5 years, but substantially reduced in the second 5 years. As you indicated, this is true for a whole host of other programs.

That means one of two things: Either they don't have those programs in the second 5 years, or we are looking at additional budget authority in the second 5 years if you want to continue the programs as they are. I certainly think that that is something the Budget Committee would be concerned about.

As I said, we believe that it is better to have certainty in the programs; to have, as the House bill does, more even spending over the 10-year period; and that regardless of whether it is a 5-year bill or a 10-year bill, we shouldn't shortchange farmers over the 10-year period for which the budget resolution applies.

Mr. GUTKNECHT. If I could add parenthetically, I think one of the other concerns if we were to adopt the Senate plan, what we would do, Members, during that sixth year is, we would clearly be pitting farmers against environmental groups. And I will tell you, that is not a fight that is a pretty picture for any of us. I think they will be coming back to the Budget Committee for more money, and that, in my opinion, is a terrible mistake.

Secondly, though, I want to talk about in terms of the front-loading. The Senate continues to say that farmers need the money up front, but the independent analysis that I have seen done by FMPRI and other groups suggests that in spite of the fact that the Senate is spending more money during the first 5 years, that eight out of every nine dollars of extra money that is going to go supposedly into agriculture will not go to farmers. In fact, I think that—and perhaps Dr. Collins would want to comment on this—that actually the bipartisan bill that passed out of the House actually provides more help to farmers during the first 5 years than the Senate plan. Would you want to comment on that?

Secretary VENEMAN. I would be happy to let Dr. Collins comment on that because he has reviewed the FMPRI study.

Dr. COLLINS. I am not sure what the origin of that analysis was, but from my own rack-up of the numbers, during the first 5 years, if you just look at the core commodity programs—that is, the fixed payments, the AMPA payments, the price support loan programs and the countercyclical payments—the House bill would spend, by CBO scoring, $22.2 billion, whereas the Senate would spend $21.1 billion. So I think that is your point, that in fact of the core commodity programs, the House bill would spend more.

If you look at that 5-year period total budget authority, the Senate bill spends $9 billion more than the House. So here you have the commodity—the core commodity programs, more spending in the House bill than the Senate, but the Senate bill spends $9-billion more overall.

Now, your question about every eight out of nine dollars not going to farmers. The question is where does that $9 billion go? Well, it goes all over the place, but part of it goes to conservation programs. Part of it goes to other programs as well. So I can't verify the 8 out of the $9 billion, because some of those dollars I think may get back to farmers. But clearly you are accurate in saying that when you look at the core commodity programs, the House bill does spend more.

Mr. GUTKNECHT. Well, finally, and my time has expired, I want to make just one last comment. In terms of additional markets, one of the areas we absolutely have to look at, and it is great to look at foreign markets, but there are huge domestic markets. If we can convert more of what we grow into things like biofuels, and so I hope that as we finish up the negotiations sometime this spring on our farm bill, that biofuels and other uses of the things that we grow here in the United States are a big part of that discussion.

And one last point and then I will yield back, and this—perhaps, Dr. Collins, you could just send me a real short memo. We have had a heated discussion up in our part of the country about what is happening with milk protein concentrates, MPCs, and we have had this discussion and one of the reasons you adjusted the butter powder tilt was to address that problem. I wonder if you could give me privately just a short report on how that is working. Thank you.

Secretary VENEMAN. We will be glad to do that.

[The information referred to follows:]

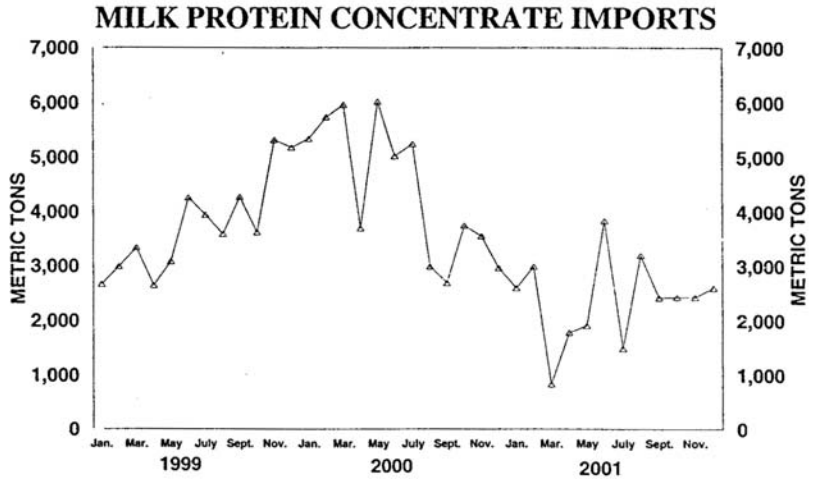
RESPONSE TO MR. GUTKNECHT'S QUESTION REGARDING MILK PROTEIN CONCENTRATE IMPORTS

U.S. milk protein concentrate (MPC) imports grew from slightly over 7 thousand metric tons in 1995 to 53 thousand metric tons in 2000. Major exporters to the United States include the European Union (EU), New Zealand, Australia, and Canada.

In 2001, imports fell to 28,500 tons, as imports from the EU, Australia, and Canada dropped. On a monthly basis, the downturn began in August of 2000 when imports levels fell from the 5–6 thousand metric tons per month to 2–3 thousand metric tons (see attached chart).

Improved international prices for nonfat dry milk (NDM), which rose from $1,600 to $2,200 per ton in early 2000, are generally considered to have caused the downturn in U.S. imports. Higher international prices for NDM increased the profitability of producing NDM relative to MPC, causing milk to be diverted in the major MPC exporting countries to NDM.

The USDA decision to reduce the support price for NDM, effective at the end of May 2001, appears to be an important factor keeping imports of MPC at a low level. Despite last fall's sharp decline in international NDM prices from over $2,000 to below $1,700 per ton, monthly imports of MPC have not returned to the early 2000 level.



Secretary VENEMAN. If I might just make a comment on the value added and particularly the biofuels. I think it is extremely important to emphasize that agriculture has tremendous potential to provide a renewable source of energy both on the biofuels side and the biomass side. There are a number of new products that are being produced from agricultural products. I just learned about how they are making tractor parts from corn and soybean polymers.

The promise that we will see from new research and technology for agriculture is tremendous. I think it is important to point out that in the President's energy plan that was released last year, there is specific and strong reference to the role that biofuels can play.

It was interesting, I recently went out to speak to the Commodity Classic, the corn and soybean folks, and after I spoke I met with some of the leadership. And they said, you know, "we are as concerned about getting an energy bill passed as we are about a farm bill passed," because they see the potential for long term for agriculture in the biofuels area.

Chairman NUSSLE. Thank you, Mr. Gutknecht.

Just as one side comment—I don't usually do this, but since we are on the topic, and maybe this is news; I hope it is not—but $73.5 billion over 10 years is our final offer. I don't know how clearly we have had to say this. We have said it in the budget. But part of the reason that the Speaker may be considering sending the delegation from the Budget Committee to this conference is because we can have a lot of discussion about what is in the first five, what is in the second five, what the policies look like, what is important for trade, what is a safety net and what isn't. But what fits within a balanced budget and a balanced approach for agriculture has been clearly outlined. It is $73.5 billion.

And to begin the bidding higher than that is irresponsible, and that is a message that needs to be delivered, and I am happy to deliver it. If we need an additional vote to that, we may need to take it, but at least to start with today, that is the chairman's position and I intend to enforce it.

Mrs. Clayton.

Mrs. CLAYTON. Thank you, Mr. Chairman, and Madam Secretary, welcome to our committee.

I think all of us who are interested in agriculture will probably make comments on the farm bill. I think we have a number of interesting decisions to make about the farm bill. Will policy drive the allocation? We know we have a cap. I think the chairman is correct, the $73.5 billion is probably understood by all of us that that is the cap. But still the issue for policymakers to make is will policy drive the allocation of that $73.5 billion, or will we allocate dollars to titles and let them divvy it up?

The other question, whether we like it or not, is the 5 year and the 10-year issue. Now, I am not sure, Madam Secretary, if you are saying, well, I like the 10-year resolution, but I really like 5 years. Take the 10-year allocation, divide it in two, and that is where we are. Now, that is a different proposition. Maybe I ought to pause and let you answer that for me.

Simply, are you suggesting that you like the idea of $73.5 billion over a 10-year period, dollar amount in time, and then if we take that and divide it, in your response to the chairman, that gives you a figure to work with. So if you are at that position, we are really at a different stage than being at $73.5 billion, if you prefer a 5-year program. It means that we will have to make a decision whether you actually have a 5-year program and allocate that half, or if we have a 10-year program we have $73.5 billion for allocation over the period of time. Those are different driving figures altogether.

Secretary VENEMAN. Well, as I said, Mrs. Clayton, we have agreed to in the President's budget—I think it is fairly unprecedented to agree in the President's budget before a farm bill is passed—to the 10-year figure that the House and the Senate budget resolutions agreed to last year, and that is the $73.5 billion. We have said that if in fact the conference committee agrees on a 5-year bill, then the amount of money that should be spent in 5 years is roughly half of that, so that you have additional money left for the second 5 years, and that farmers and other program recipients from USDA aren't shortchanged in the outyears.

Mrs. CLAYTON. So you would see that as a reserve, that we could have that other 5 years funded by the remainder of that? That wouldn't go into the general Treasury, right?

Secretary VENEMAN. No. The way I see it is that we have a 10-year budget resolution that has been agreed to by the House and the Senate and the President in his budget that he proposed this year. There is the same number for over a 10-year period reflected in the President's budget. So we are not talking about that money going in reserve, but it is actually in the President's budget.

Mrs. CLAYTON. OK. I have a couple of areas. First, nutrition: I want to thank you for the leadership that the Department has

made in the area of nutrition, and there are some really significant areas, and I certainly want to express appreciation for that.

The index standard deduction, poverty level rates. There have just been a number of issues that we are about to talk about and express appreciation. However, there is the area of transition, and that is the area when you transfer from welfare to other areas that you make some assistance for that. In child care we have it. In Medicaid we have it. In food stamps you don't provide it.

Can you comment as to how we should make adjustments for that? These are otherwise eligible people who are known to be eligible, who have to go through extra hoops to get food stamps. How can we have that? Despite the good things we have done, we haven't taken care of that.

Secretary VENEMAN. Well, as I know that we have discussed with you and I know you have had several conversations with our Under Secretary, Mr. Bost, we are committed to finding ways to streamline the food stamp program and, as you say, I think we have proposed several positive measures that will help make that happen.

We would be happy to work with you in looking at this issue to determine what might be done. I can certainly have Mr. Bost work with you to look at this particular issue.

Mrs. CLAYTON. I do want to thank you for what you have done. We did—as you indicated—have Under Secretary Bost with us and Representative Price join us. We had people all over North Carolina talking about hunger and what they thought would be helpful.

I see my time has expired, but the able-bodied adults without dependents is the area where we do not provide any resources. And you know in the authorization of welfare, we had a 3-month option. It was optional. In the Senate farm bill they had provided at least a 6 month—they extended that to 6 month's option. Can you comment where the administration would be on that? Every 3 months out of 36 months, something right on——

Secretary VENEMAN. What is in the Senate bill is not part of the administration's proposal in terms of what we have put forward on the food stamp program.

Mrs. CLAYTON. If I can get some additional questions to the Secretary, Mr. Chairman, in writing, I would like to do that. The area I want to address your attention to is a reduction in rural housing and the proposal to contract out the whole processing for rural housing. There is a reduction in the current budget over last year. So I will write my question to you. Thank you, Mr. Chairman.

Mr. GUTKNECHT [presiding]. Without objection, we will allow members to submit written questions, and with your acquiescence, we will expect that they will get answers. Thank you.

Mrs. CLAYTON. One other question. Did anyone request that data that was in response to Mr. Spratt about the allocation of funds and—if we could have that written out, the analogy of how much other government monies go to—one-half goes to net farming. Do you have that analysis you could share with the whole committee? That would be extremely helpful.

Secretary VENEMAN. We will be happy to do that.

If I could just make one comment on rural housing. We do have a reduction in our rural housing line item for this year, and there is a reason for that. In terms of new construction, we had an OIG

report that said that we really needed to take a look at our current inventory and the current state of that. So basically, what we have done is we have pulled back on building any additional new housing; the multifamily housing, I should say—it is multifamily housing—so that we can take stock of our inventory and do the necessary repairs that have been outlined by a report that says that is necessary.

Mrs. CLAYTON. Well, we are suffering in rural housing in rural areas, so I just want to——

Secretary VENEMAN. We will be happy to respond more completely in writing.

[The information referred to follows:]

GOVERNMENT PAYMENTS AS PERCENT OF TOTAL GROSS INCOME AND NET FARM INCOME

[1992–2002]

Year	Total gross income (billions of dollars)	Net farm income (billions of dollars)	Government payments (billions of dollars)	Government payments as pecent of:	
				Total gross income	Net farm income
1992	200.6	47.8	9.2	4.6	19.2
1993	205.0	44.7	13.4	6.5	30.0
1994	216.0	48.9	7.9	3.7	16.2
1995	210.8	36.9	7.3	3.5	19.8
1996	235.8	54.8	7.3	3.1	13.3
1997	238.5	48.5	7.5	3.1	15.5
1998	231.8	42.9	12.4	5.3	28.9
1999	235.3	44.3	21.5	9.1	48.5
2000	241.5	46.4	22.9	9.5	49.3
2001f	248.6	49.3	21.1	8.5	42.9
2002f	240.6	40.6	10.7	4.4	26.4
1992–01	226.4	46.4	13.0	5.8	28.1

Source: Economic Research Service, USDA

GOVERNMENT PAYMENTS AS PERCENT OF NET FARM INCOME BY SALES CLASS

[Year 2000]

Sale class	Net farm income (in millions of dollars)	Government payments (in millions of dollars)	Payments as percent of net farm income
Less than $20,000	−2,315.5	1,403.6	na
$20,000–$49,999	955.5	1,524.9	159.6
$50,000–$99,999	1,796.8	2,756.7	153.4
$100,000–$249,999	6,725.9	6,633.1	98.6
$250,000–$499,999	7,822.9	5,527.2	70.7
$500,000–$999,999	7,047.4	3,239.8	46.0
$1,000,000 or more	24,404.9	1,808.8	7.4
Total United States	46,443.6	22,896.4	49.3

Source: Economic Research Service, USDA

GOVERNMENT PAYMENTS AS PERCENT OF CROP SECTOR GROSS AND NET CASH INCOME

[Year 2001]

Crop	Gross cash income (in millions of dollars)	Net cash income (in millions of dollars)	Government payments (in millions of dollars)	Government payments as percent of:	
				Gross cash income	Net cash income
Corn	24,231	9,360	5,217	21.5	55.7
Wheat	7,975	3,300	2,493	31.3	75.5
Soybeans	16,225	7,602	3,794	23.4	49.9
Upland cotton	7,468	2,150	3,605	48.3	167.7

GOVERNMENT PAYMENTS AS PERCENT OF CROP SECTOR GROSS AND NET CASH INCOME

Continued

[Year 2001]

Crop	Gross cash income (in millions of dollars)	Net cash income (in millions of dollars)	Government payments (in millions of dollars)	Government payments as percent of:	
				Gross cash income	Net cash income
Rice	2,357	825	1,452	61.6	176.1
Sorghum	1,456	390	452	31.0	115.8
Barley	763	194	200	26.2	103.0
Oats	192	−152	16	8.4	na
Principal crops	60,667	23,668	17,229	28.4	72.8

Source: Office of the Chief Economist, USDA

GOVERNMENT PAYMENTS AS PERCENT OF NET FARM INCOME BY STATE

[Year 2000]

State	Net farm income (mil dollars)	Government payments (mil dollars)	Payments as percent of net farm income (%)
Alabama	1,196,212	170,852	14.3
Alaska	13,397	1,672	12.5
Arizona	616,638	107,066	17.4
Arkansas	1,578,125	900,648	57.1
California	5,348,996	667,466	12.5
Colorado	542,652	351,116	64.7
Connecticut	184,783	18,143	9.8
Delaware	135,909	25,028	18.4
Florida	2,712,956	56,741	2.1
Georgia	1,998,777	380,057	19.0
Hawaii	63,904	11,927	18.7
Idaho	832,094	261,297	31.4
Illinois	1,561,412	1,943,916	124.5
Indiana	821,529	938,464	114.2
Iowa	2,578,305	2,302,094	89.3
Kansas	956,147	1,231,923	128.8
Kentucky	1,662,695	448,473	27.0
Louisiana	488,360	451,831	92.5
Maine	96,510	13,851	14.4
Maryland	409,650	88,470	21.6
Massachusetts	59,778	10,973	18.4
Michigan	304,678	381,056	125.1
Minnesota	1,548,378	1,502,230	97.0
Mississippi	769,201	463,901	60.3
Missouri	971,899	869,390	89.5
Montana	291,794	490,002	167.9
Nebraska	1,419,762	1,406,971	99.1
Nevada	88,948	3,918	4.4
New Hampshire	15,837	4,768	30.1
New Jersey	221,698	22,481	10.1
New Mexico	494,239	79,495	16.1
New York	609,053	159,876	26.2
North Carolina	3,107,638	447,096	14.4
North Dakota	749,127	1,170,234	156.2
Ohio	1,177,321	678,104	57.6
Oklahoma	1,144,662	439,851	38.4
Oregon	342,656	137,401	40.1
Pennsylvania	949,161	147,848	15.6
Rhode Island	11,300	1,218	10.8
South Carolina	552,169	144,499	26.2
South Dakota	1,398,608	789,895	56.5
Tennessee	448,601	298,873	66.6
Texas	3,644,154	1,647,066	45.2

GOVERNMENT PAYMENTS AS PERCENT OF NET FARM INCOME BY STATE—Continued

[Year 2000]

State	Net farm income (mil dollars)	Government payments (mil dollars)	Payments as percent of net farm income (%)
Utah	219,096	36,181	16.5
Vermont	163,143	26,093	16.0
Virginia	642,073	152,452	23.7
Washington	796,305	352,503	44.3
West Virginia	41,469	23,509	56.7
Wisconsin	347,614	603,213	173.5
Wyoming	114,239	34,302	30.0
United States	46,443,651	22,896,434	49.3

Source: Economic Research Service, USDA

Mr. GUTKNECHT. The Chair recognizes the gentleman from Texas, Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman. Madam Secretary, I think in the last 6 months not only have the priorities of government changed, but what the American people expect from their government has changed. And while no district is probably more affected by the farm bill than mine, all of that in a way pales in comparison to the potential consequences of agricultural terrorism.

I was listening very closely to your answer to Mr. Spratt, that you think that we have enough money for now. But I am very concerned, and I think you make a good point. You got a head start in dealing with foot and mouth and mad cow disease, but maybe not a head start in dealing with intentional infliction of those diseases, which is kind of a whole new ball game. Somebody sneaking a small amount of powdery substance here can have just devastating consequences.

I guess I would like to hear a little more from you. You used foot and mouth as one example. How far along are we in planning for how we would deal with an outbreak of foot and mouth disease? I mean, surely we can do better than Britain, killing tremendous numbers of animals and having huge areas quarantined. I know the Department was reevaluating how we would deal with an outbreak. I would like to know how far along we are, and I would also be interested in your perspective of how we are pumping APHIS up a little bit.

One brief example in my experience over the past year which you are familiar with is an outbreak of a wheat fungus in my area, Karnal bunt. You have had experience with it before. I have got to tell you that my farmers have not had a lot of confidence that the folks that they dealt with knew what they were talking about. Their questions weren't answered and the rules changed, and this is a quality issue with zero danger to human health. If it is something that does affect human health and the food supply, I really worry that not only the money that we are spending, but the reforms of the Agency and the priority we are giving, the seriousness with which we are approaching this is not as much as it should be. So I want you to make me feel better.

Secretary VENEMAN. I will try. Thank you for that question. As you indicate and as I indicated before, the whole issue of bioterrorism, in some ways we did have a head start; particularly when

it comes to something like foot and mouth disease where we begin to increase our inspection at the borders. We started reviewing all of our systems, looking at how do we prepare not only to keep the disease out, but how do we respond if it were to come into this country.

One of the things that we did with regard to the outbreak in Great Britain is we had over 300 veterinarians and other scientists who went to Great Britain from the U.S. to help with the control of that disease. I met with the first group that came back, and they had been over there about a month. I had some of these people tell me that there is no better training that they have ever had outside of vet school in any continuing education, than what they got in the hands-on experience there. That is important, because we now have a whole cadre of people who are very much better trained in the detection, control, and how to deal with that disease, and I think that is a real plus.

In addition, we have been working very closely with our States, the State veterinarians associations, the State departments of agriculture, and reaching out with our State partners to the local veterinarians; because as you know, if you get an outbreak, it is your first defense that is going to make the difference of whether or not you have an outbreak like you had in the U.K., or you have one that is contained very quickly like it was in France.

And so we have really been working very, very hard with our State partners and with farmers and ranchers and ag groups.

I have to tell you that the response of the agriculture community, particularly on the animal side pre-9/11, was extremely helpful in terms of what can we do to help train farmers and ranchers on how to protect farms and ranches. Now, post-9/11, that is a much broader issue. We are now looking at protecting the whole food supply. We are working with the whole food chain, from production of everything from fruits and vegetables, to animals to growing crops, to processing, to transportation, to the retail side, because all of these have some vulnerable areas.

We want to help with best management practices throughout the food chain. We are working very closely with our partners at FDA and we are working very closely with the Office of Homeland Security as we look at the whole issue of protecting our food supply.

I have been asked many times: What are you most afraid of? I am probably still most afraid of an intentional introduction of something like foot and mouth disease because, while it is not a human health issue, we always have to point out that it is such a fast moving virus that it could economically devastate our livestock in this country. That continues to be one of our biggest areas of concern.

We have increased border inspection from the beginning of 2001. If we are allocated through the Congress and get the 2003 appropriation, we will have increased inspection on our borders by 55 percent in terms of personnel in about a 2½-year period of time, which we think is very significant.

So we are being very proactive in this regard and working very closely, as I said, with the Office of Homeland Security on border issues, on food issues.

Let me just make one comment about Karnal bunt. As you noted, I met Karnal bunt when it was first discovered here, because California was one of the first States that had the outbreak. I was out there. As you indicated, this is an issue that does not particularly pose any human health—it doesn't pose any human health threat whatsoever, and it is basically a fungus, but nevertheless it does cause problems in terms of international trade because so many countries do limit that. Basically, many of their systems were based on our own regulatory system pre- the discovery of Karnal bunt. But Karnal bunt I think underscores, as does foot and mouth disease, the importance of animal-plant health inspection issues, whether it is Med. flies or citrus canker—which I know is Mr. Putnam's great interest—or it is, you know, glassy wing sharpshooter, which we now have in California, or Karnal bunt or foot and mouth disease or it is various other animal or poultry diseases. These are such important programs, because it protects the agriculture for basically every one of our farmers.

Mr. THORNBERRY. And every one of our eaters, too.

Secretary VENEMAN. And our eaters. They are all food safety issues, but the fact of the matter is it keeps our food supply safe and secure. We put out a book last year called "Food and Agriculture Policy: Taking Stock for a New Century." This was a written pre-9/11. There is a chapter in here talking about the importance of the infrastructure that protects our agriculture, pest and disease prevention and eradication, food safety, and the people that support those. So these are extremely important issues.

I appreciate you and your committee recognizing how important these issues are to overall agriculture in this country.

Mr. THORNBERRY. Thank you, Mr. Chairman.

Mr. GUTKNECHT. The gentleman from North Carolina, Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman. I want to continue Mr. Thornberry's line of questioning. I appreciate the Secretary's responses. I would like to bring some of this down to specific budget numbers.

I have a shorter question first, though, that I think will have a short answer, but it is an issue of major importance in North Carolina and other States as well. It has to do with the coming regulations of phosphorous standards. Nutrient management is a major environmental issue in North Carolina and elsewhere. Our 3,500-plus animal operations are going to be subject to the USDA–NRCS phosphorous standards this year. As one who is not on the Agriculture Appropriations Subcommittee, but nonetheless has an interest in this budget item, let me just ask you, does the President's budget include an increase in the NRCS conservation operations for the next fiscal year or subsequent fiscal years that would address the needs of the States to provide technical assistance to help farmers meet these major challenges? To what extent are you addressing that under the budget and do the budget numbers reflect that?

Secretary VENEMAN. We are addressing that. We have about a $48 million increase allocated for that particular activity.

But I think that you bring up an issue that is extremely important and that is the importance of, as I said in my opening statement, of having programs that assist our farmers and ranchers

with working farm lands. Our farmers and ranchers are the best environmentalists there are. They need the land to survive. But they also need help meeting all the regulatory requirements. We do that through NRCS programs like the EQIP program, programs like the CRP program, which are partnership programs that help with water quality and a variety of other issues.

So I think that as we move forward, it is extremely important that we look at various ways—we have supported that strongly in our policy book—ways that we can expand programs that help farmers and ranchers with their working farm lands and address the regulatory issues that they face.

Mr. PRICE. I appreciate that. And let me make certain I understand; your answer is that an increase of $48 million is included in this budget for technical assistance on the phosphorous standard.

Secretary VENEMAN. Yes.

Mr. PRICE. Thank you. Let me return to the question of the importation of animal diseases. This is, of course, not a new subject. We had extensive discussions in the House last year about the threat of foot and mouth disease, mad cow disease, and how we could protect ourselves against this infestation. Of course, this discussion has a new dimension since September 11.

You have proposed an increase of $75 million in pest and disease exclusion and monitoring programs to guard against foreign animal diseases.

The fiscal year 2003 budget is also proposing a $175-million increase to fund ongoing costs of combatting insects. That is presented as an alternative to funding through emergency requests. Is that right?

Secretary VENEMAN. That is correct. The way these programs are allocated in the budget is that those programs that have initially been determined to be an emergency—I think citrus canker is one example—are being moved in this budget into a line item funding. After the first year of being an emergency, they are requested in the budget, as opposed to keeping them as an emergency.

Mr. PRICE. Alright. So we have those two items that are directly relevant to our earlier discussion.

Now, last year in April, you released $32 million in agricultural quarantine inspection, AQI, user fee funds to address the increased need for security and inspections, mainly looking at the mad cow and foot and mouth disease threats. The supplemental that was passed prior to 9/11. It was a subject of some contention here. The Agriculture Department asked for $35 million of that supplemental. The leadership of the House granted only $5 million. I am not quite certain how that affected your operations and your planned services prior to 9/11, but before 9/11, it is safe to say that you were seeking to obtain increased funds for these purposes.

So my question is twofold. How was this changed by 9/11, and to what extent does your budget request reflect additional measures on top of 9/11? And what more would you want to say about the pre-9/11 efforts which, as I said, showed every sign last year of falling short of your desired level of support?

Secretary VENEMAN. Well, I think, sir, that your question really does indicate how we have been dealing with these issues through

a whole year and not just since 9/11, because we did reallocate some funds so we could increase border inspections because of our fear of foot and mouth disease particularly.

In addition, we were seeking additional funding, as you said, of $35 million to enhance our overall programs. And we did only get a $5 million appropriation. But to some extent, all of that was superseded by events of September 11, followed by the defense supplemental where we got $328 million, and then, of course, the President being willing to looking at our budgets now for homeland security purposes.

Things that have changed, for example, have been in addition to increasing border inspections. We are now even more urgently looking at how we increase the urgency with which we address our laboratory needs, whether it is the Ames, IA, laboratory where we assess things like mad cow disease, or what we do with the Plum Island facility where we do the testing for foot and mouth disease, or Athens, GA which is our primary poultry laboratory, all of our laboratories.

Also we need to make sure that we have adequate laboratory capacity because, again, of intentional threats as well as the concern about unintentional spread of diseases. So we are looking at increasing border measures, new technologies, new x-ray machines, increased research on detection, for example, of diseases. We think technology is going to take us a long way with regard to some of this.

We are also working much more closely now, of course, through the Homeland Security Office coordinating with other agencies. We are working with all of the border agencies in trying to get computer systems that have interconnectivity between Customs and USDA, for example, so that you can have cross-checking and referencing through our two systems as to what is coming in. We believe this is an important part of homeland security.

Let me make one comment also about the mad cow disease BSE, which, as you know, unlike foot and mouth disease, is also a human food safety issue. We released at the end of November a 3-year study that was conducted by Harvard University that looked at the risk in this country and the likelihood of us getting BSE. The study showed a couple of things. One is that it showed that the likelihood of having it in this country was extremely low, the likelihood of us getting it was very low; and, if we were to get it, that the likelihood of it spreading because of the measures we have taken is very slight.

So we have some reassurance but we are not resting on our laurels. We are looking at all the recommendations of that report to see what additional measures we can take. We are now in the process of getting comments on additional measures that we can take on things like on farm animals, where there is higher risk, as pointed out by Harvard.

So we have been very proactive in looking at where vulnerabilities might be with us and FDA in partnership on things like mad cow disease, and we are going to continue to look at all of our food safety and our protection systems. These issues require constant review and evaluation, and we are going to continue to do that. We are going to use our research agencies to look at new ways of detec-

tion and new technologies. And we are very committed to these issues and continuing to enhance our structures.

Mr. PRICE. Thank you, Mr. Chairman.

Chairman NUSSLE [presiding]. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Madam Secretary, I had a request from people in the agribusiness in Georgia to inquire of Ms. Whitman, with EPA, as to some kind of coordinated effort between the Department of Agriculture and the Environmental Protection Agency as to the drafting and implementing of regs pertaining to farming, particularly small farms which seem to get hurt the worst. How is that progressing, or is it?

Secretary VENEMAN. Mr. Collins, I am happy to report that we have a very good working relationship with EPA. Governor Whitman has been very responsive to USDA and to the concern of agriculture and of farmers. She has for the first time in about 12 years appointed an agriculture liaison in her Department, something that we are very pleased about; a position that Jim Moseley, our Deputy Secretary, once held many years ago, and I think he was the last one to hold it because it was never reappointed.

We have worked with them on, for example, the regulations that I know are of concern to farmers in Georgia, because I have been there three times, and that is the AFO–CAFO rules. We have worked with them to have them slow down a little bit on some of these rules and let us determine whether or not they can be complied with by farmers.

One of the things about regulations is we want to achieve the objectives of the regulations—that is, cleaner water—but we want to do it in a way that is achievable by the farmers. And so I believe that we have a very good working relationship with EPA. It is one we continue to keep and will continue to keep a very close working relationship. I also believe there is a real commitment to really listen to agriculture, the needs that agriculture has, to have workable ways to achieve the desired objectives.

Mr. COLLINS. That is good. I am glad to hear that report. You mentioned you have been down to Georgia. You were there last fall or last August, I believe it was, for Senator Miller's symposium at Athens. I don't know if you heard the comment made by one of the leaders of a national ag group. And this has been a concern of mine. He stated that the problem with the farm bill that was before Congress at that time is that it is an incentive to farm the program rather than farm the market. And he gave an example. He had been raising wheat for years, because wheat was a commodity that best gave the best results of subsidy through the program. The Congress changed it. He is now raising soybeans because soybeans is the best program to farm for subsidy. Do you have any response to that?

Secretary VENEMAN. Well, there are a couple of things that I think we have talked about in terms of the farm bill that we want to achieve in terms of desired outcomes. One is that it be as market oriented as possible. One of the things that the 1996 bill did is that it gave farmers flexibility to plant non-program crops on program acres, which I think has been something that farmers have appreciated.

I think one of the things that I know that the committees are grappling with is how to create a system of loan rates that aren't out of balance so that it encourages the production of one crop over another, that those loan rates be in relative balance to each other so you don't get the kind of stories that you are talking about. There is really much more farming for what the market is demanding as opposed to what may be more beneficial under a program.

Mr. COLLINS. One other area that I want to touch on and that is the food stamp program. I have had the question asked of me, particularly pertaining to elderly who may have something like a 500, 515, $525 a month Social Security check coming in—that is their only income. They are eligible for 10 to $15 a month in food stamps. Oftentimes they will neglect the purchase of prescription drugs due to the fact that they have to have food and other living expenses out of that Social Security check.

Is there any indication or anything that you are looking at that possibly could raise that 10 to $15 of food stamps in areas where people are having to make that choice?

Secretary VENEMAN. This is an issue that Under Secretary Bost has had several discussions about, looking at how we have a number of people in the senior ranks who really only are qualified for a limited amount of food stamps. We are looking to see if there is a way to both streamline and make that program so that it is—I don't want to say more accessible, but more——

Mr. COLLINS. Helpful.

Secretary VENEMAN [continuing]. Helpful to seniors who may be in need of help. So we are reviewing that. I would be happy to have Mr. Bost visit with you about your specific concern.

Mr. COLLINS. If I may, Mr. Chairman, I have one other thing that I would like to bring up.

Madam Secretary, how do we answer the questions or the concerns that we often hear from, say, a young couple, a young family who is a family of four, moderate income, 35, 40, $45,000 a year. They have to shop for their groceries based on that income. But yet they are in a checkout line with an individual who is ahead of them who will maybe have one or two full baskets of groceries, and those items will be steaks, other foods, shrimp, lobster tails, things of that nature; they go through the checkout line and they pay with their debit card or with stamps. And yet they are having to shop based on their income and buying items that nowhere compare to the individual in front of them. How do we answer that question, "What are you doing? What are you going to do about it Congressman?"

Secretary VENEMAN. Well, it is a difficult issue. As you know, the food stamp program does not limit what you can purchase with food stamps as long as it meets the requirements of being food. So there is really no way we can police what people are buying with their food stamps. However, we do have education programs on how to make food stamp dollars go further: recipes, buying tips, and so forth.

But I agree with you, it is a difficult question when you have people who are using food stamps and buying things that other people feel that they can't afford. I think to try to limit what people can buy with their food stamps would be a very difficult thing to

administer and probably not something that we could easily control.

Our WIC program, on the other hand, as you know, a very successful program and one that we put additional funds into in this budget, is one that is for pregnant, lactating mothers, or small children. That is a program where we do specify what can be purchased. That has been a very good program and one that we think has provided substantial benefits to a very vulnerable class of people in this country.

Mr. COLLINS. I know it is a very difficult question. I have taped your response so that I can give it to my youngest daughter, because the question was not "Congressman," it was "Dad, Daddy." Thank you, Madam Secretary.

Secretary VENEMAN. If I just might comment one more time on your question, I was just told that the average monthly benefit for food stamps for a family of four is only about $80 a month. So there wouldn't be too many shopping trips that that family could make buying steaks and shrimp.

Mr. COLLINS. We don't know how many were in the family where the two buggies of groceries were. I just said the person behind them had a family of four. Thank you.

Chairman NUSSLE. Mr. Putnam.

Mr. PUTNAM. Thank you, Mr. Chairman. Madam Secretary, following up on the tremendous amount of interest that this committee has shown in our food safety and exclusion inspection and detection mechanisms. I recognize that you were very involved in this issue prior to September 11; it is an issue that I have had a lot of conversations with your Department and with Health and Human Services, and that the dirty little secret is that the inductions of these invasive pests, plants, and diseases are far more frequent than any of us care to publicize or admit. Fortunately, because of the strength of the system, they are only an introduction and not an establishment. But occasionally, and particularly in sentinel States like Florida, California, Texas, New York, with high numbers of ports of entry, high numbers of travelers, we do have an establishment.

As the world grows smaller through lower-priced air fare and increased interest in exotic locations to vacation, as international trade agreements continue to open up new markets and spread opportunities for these diseases, and as new countries that have less of an ability to control these pests and diseases become world trading partners, this problem is only going to become worse.

So elaborate, if you would, please, on the new budget line item that would, in my opinion, declassify introductions like long horn beetle and plum pox and citrus canker and fruit fly from an emergency situation to an established situation, and what impact that has on the program and what kind of a message that sends to the industry.

Secretary VENEMAN. Well, I think this is not a question of really trying to send any kind of message to the industry. It is really the way we budget the money and whether it comes out of mandatory funds as an emergency expenditure or discretionary funds. The administration believes that after the emergency has been funded in the initial year, that it should then be—if it is going to be an ongo-

ing program like so many of these are, at least for the short term, that it should be funded as a discretionary ongoing program.

Again, it is a budgeting issue and not intended to send any kind of message that we believe something is established or not established, because, clearly, our goal with most of the things that you talked about is absolute eradication.

Let me just also mention the fact that, you know, we have also worked very closely with a number of other countries in these programs, these control programs, particularly countries like Mexico where we have worked with them on Med. flies, on screw-worms, where we have had facilities in some of these countries in a cooperative manner that have helped, I know, both my home State and your home State.

In addition, one of the things that we have talked about as we have launched a new round of trade negotiations, is the ability of the developing world to have the capacity to participate in global trade. One of those areas where we believe and developing countries believe that they need additional assistance is in the area of infrastructure programs, of pest and disease prevention and eradication. I think as we are able to help other countries, not just the U.S., but I mean through international organizations like the FAO and so forth, that as we can help countries get these systems in place, we can have better global controls on the kinds of things that you are concerned about. I think that is an important goal as well.

Mr. PUTNAM. On that class of multi-year pest introductions and these multiyear emergencies, you know I love my appropriators and I put a lot of faith in the system, but it is not—there is no room for discretion in our commitment to eradicate these diseases. And so, regardless of which line item we budget for it, do I have your commitment that, by hook or by crook, we will maintain our commitment to eradicate these diseases like citrus canker, whether it comes out of a mandatory account or discretionary account?

Secretary VENEMAN. Mr. Putnam, I think you know me well enough to know that I am absolutely committed to these programs. As I have said over and over again, these programs are so critical to the long-term health of our agriculture sector, whether it is citrus sanctions or it is the threat of foot and mouth disease or it is any kind of poultry disease or it is Karnal bunt. There are so many of these different issues, and we are absolutely committed to make sure that these diseases don't become established because it undermines our productivity, our agriculture and our farmers.

Mr. PUTNAM. I appreciate your commitment. I look forward to working with you on ways that we can strengthen this and improve coordination among all the agencies involved. Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you. Mr. Brown.

Mr. BROWN. Thank you for coming and sharing this information with us today. I am from South Carolina. It is not a big farming State, but we do have tobacco and peaches and some other products. Having heard some of the things that were presented to us today about the amount of subsidies the Federal Government is actually contributing to the whole process, do you ever foresee this as a market-driven system?

Secretary VENEMAN. Well, I certainly think that has been the goal. It was the goal in the 1996 bill in trying to transition. Unfortunately, in the first couple of years of the 1996 bill, farmers suffered from a variety of low prices and other conditions which created the unfortunate circumstances of having to do ad hoc supplementals. As a result, I think that now the programs that are being looked at in this farm bill are looking at trying to give farmers some certainty. On the other hand, I think it is very important that we make our ramps and our safety nets as market oriented as possible.

Secondly, it is extremely important that we continue to expand market opportunities, whether it is international trade or it is new uses for agriculture products here at home and expansion of marketing opportunities. But as I said previously, any farmer that I talk to would much prefer to get their income from the marketplace than from the government.

So I think that the objective that we should have is to move toward programs that, while they protect our farmers against unforeseen risks, that we should try to make them as market oriented as possible, and that would be the goal. We have had crop insurance reform. We have crop insurance now that is available to many more people to help them manage risks. We have the proposal that the administration has supported for farm savings accounts, another risk management tool for farmers and ranchers.

So we believe that we ought to be moving in the direction of tools that help farmers manage risks and programs that are as market oriented as possible.

Chairman NUSSLE. Any other members?

Mr. BROWN. Mr. Chairman, just a follow-up. I also would like to thank you for your assistance to the farmers in South Carolina for the drought assistance. I just want to thank you for that.

Secretary VENEMAN. Thank you, sir.

Chairman NUSSLE. Mr. Collins, do you have further inquiry?

Mr. COLLINS. Yes, sir. I would like to ask a couple of other questions, if I may. Going back to the dependence by the farmer on the government, on the farm bill, I think one of the most concerning questions I had asked to me about the farm by—was recently at a salt water conservation workshop at Calgary Gardens in Georgia. A gentleman came up and said, "Congressman, are you all going to pass the farm bill in time for us to plant?" And I commented back, "Well, we are going to pass the farm bill, but I don't know how soon." He said, "well, we need a farm bill to be able to go to the bank to get the funding to plant."

Now, you know other businesses—and farming is business, many of them small businesses—but other small businesses have to have the wherewithal to enter on their own, not some guarantee from the government. What are we going to do about a situation like that where we have created so much dependency that the farmers have to have a farm bill to go to the bank to get money to plant?

Secretary VENEMAN. Well, I would refer to the answer that I just made to the last question, and that is that, as I indicated, we should be looking at programs that are as market oriented as possible. As I said, farmers would rather get their income from the marketplace, and to the extent we can create programs that allow

them to do that, that allows them to manage risks through risk management tools, that is certainly a goal.

But I understand what you are saying. As I said, I think farmers would rather get their income from the marketplace.

Mr. COLLINS. I understand that. I understand what you said. But I also understood the previous question from the gentleman from South Carolina was, do you ever think we will reach a point where we will have marketplace performance? He never received a yes or no. He received the same answer that I received here. Marketplace farming, where farmers can stand on their own as all other small businesses in this country do, is much in need. I hope that some day you will work toward that.

One other follow-up question, because we are running close on time, I know you probably have a schedule, too. Do you think sanctions work? Oftentimes we use sanctions in agricultural products as part of a sanction against other countries; naming one in particular is Cuba. Do you think sanctions actually work to the benefit that they are intended to? And if yes, give me the reason.

Secretary VENEMAN. Well, sanctions are a very difficult question. In many of the sanctions that have been utilized around the world, things like food have been excluded. Now, Cuba has been opened up to some extent as a result of legislation that was passed, I think, a year-and-a-half or so ago. We have now seen product moving into Cuba for the first time in the last few months. In fact, I think we just had additional sales this past week.

The programs that we have do not allow product to move with government assistance, but certainly commercial sales are allowed at this point to Cuba. So clearly there are difficult issues regarding sanctions. The President has been very clear on the fact that he doesn't want any new unilateral sanctions that would impact agriculture.

Mr. COLLINS. Does the President also support the relaxing of sanctions to support agriculture, whether it be a government subsidy or what?

Secretary VENEMAN. I think that depends on the circumstance.

Mr. COLLINS. You just said that the President—the previous answer to that.

Secretary VENEMAN. I said he did not support any new unilateral sanctions with regard to food.

Mr. COLLINS. OK. No new—but no relaxing of old, depending on circumstance.

Secretary VENEMAN. It depends on the circumstance.

Mr. COLLINS. Well, that is a good middle-of-the-road answer. That is OK. No harm done. Thank you.

Chairman NUSSLE. Thank you. I think part of the challenge here, of course, is that these policies, for better or for worse, are not made in a vacuum. Most of my farmers would agree that receiving the kind of support that they are getting from the government is appreciated, but they would certainly rather go to the marketplace to get price for their product.

But as long as we have a system in the world where we have countries that are willing to put in the subsidies that they have demonstrated a willingness to put in, we have a choice that we have to make. And with the prices that we have seen for commod-

ities overall, it has been a tough choice but a choice that we have been gladly willing to make.

The challenge we have got is to rein that in, make it responsible within a balanced budget. That is why we are so—I think there is so much effort that I want to see us make toward making sure that this farm bill stays within the budget fences that have been outlined. So while we are all concerned about the future of the commodities systems, and I know this administration and past administrations have been willing to try to negotiate for a better subsidy deal internationally, we can't forget our responsibility to food security in this country in the meantime.

So we are in a difficult situation and not in a vacuum. So we have quite a bit of work to do.

Madam Secretary, your testimony is greatly appreciated today. I personally look forward to working with you on this whole farm bill debate that we have in conference right now. I agree on timing. We need to give farmers a decision here quickly. It is unacceptable to go through yet another year of uncertainty. When we know that there are a number of other economic pressures out there and with trade being in a difficult situation as it is, to not have a farm bill I think would be would be irresponsible; and certainly a farm bill within the budget fences that have been provided, which have been very generous.

So I look forward to working with you to put pressure on this conference to get their work done in a responsible and timely fashion. With that, unless there is any other business, do you have any final comments you would like to make, Madam Secretary?

Secretary VENEMAN. I, too, look forward to working with you and appreciate the fact that you will be part of the conference. We will work very hard to try to do everything we can to make sure we get a farm bill as quickly as possible.

Chairman NUSSLE. Thank you. If there is nothing else to come before the committee, we stand adjourned.

[Whereupon, at 4:02 p.m., the committee was adjourned.]

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