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NOMINATION HEARING FOR MARY KIRTLEY WATERS, LOU GALLEGOS, AND J.B. PENN

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

MAY 9, 2001

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WEDNESDAY, MAY 9, 2001

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 9:33 a.m., in room SR–328A, Russell Senate Office Building, Hon. Richard G. Lugar, [Chairman of the Committee], presiding.

Present or submitting a statement: Senators Lugar, Lincoln, Nelson and Domenici.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. This hearing of the Senate Agriculture Committee is called to order.

Before I begin, let me just mention that it is anticipated that at 9:35, just minutes from now, we will have a roll call vote. I suspect that many of our colleagues are not present for the moment because they are on the floor, hoping to vote early and then to come back to join us. At the same time, I appreciate the fact that our nominees are here, and I will commence the hearing.

There may be at various stages appearances by Senators who will wish to introduce you or to say some endorsing words about each of you as distinguished nominees; and at that point, I will break into the action, recognize the Senators, and try to accommodate both their schedules and your own.

Let me simply mention at the beginning that we convene today to consider three very important nominees for positions at the United States Department of Agriculture. The Department is not an easy department to manage. A wide range of issues and diverse interests contribute to the difficulty of that task.

The nominees before the committee today represent extensive work experience in the public and private sectors. All three have previously served in Government, and they are to be commended for their willingness to return to this service at the Federal level and at this time.

Today we will hear from Mary Waters, nominee for Assistant Secretary for Congressional Relations; Lou Gallegos, nominee for Assistant Secretary for Administration; and J.B. Penn, nominee for Under Secretary for Farm and Foreign Agricultural Service.

Next week, a week from today, on May 16, during the hearing on the credit title of the Farm bill, we will consider the nomina-

tions of Eric Bost to be Under Secretary for Food, Nutrition and Consumer Services, and William Hawkes to be Under Secretary for Marketing and Regulatory Programs.

Let me mention for the record that I have visited with the FBI and read the background records of the three nominees today. This is a service that is afforded by the FBI, and the Chairman is strongly encouraged to do that, which I have done. Likewise, staff on both sides of the aisle have met with our nominees prior to this hearing so that they have been briefed and have been able to brief their Senators on the background of our nominees prior to the nomination.

At this stage, before we begin the hearing and go further, let me ask you to take the oath which is required of all nominees.

If you would all stand, please, and raise your right hand and repeat after me—do you swear or affirm that the testimony you are about to provide is the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. WATERS. I do.

Mr. GALLEGOS. I do.

Mr. PENN. I do.

The CHAIRMAN. Thank you very much.

We are now joined in a timely way by my dear friend and distinguished Senator from New Mexico, Pete Domenici, who has a statement.

STATEMENT OF HON. PETE V. DOMENICI, A U.S. SENATOR FROM NEW MEXICO

Senator DOMENICI. Hi, Mr. Chairman. How are you?

The CHAIRMAN. We are pleased to have you with us this morning.

Senator DOMENICI. It is nice to be here. I am sorry I was late.

I do not know all of the nominees, but I am here to speak in behalf of Mr. Lou Gallegos.

The CHAIRMAN. Please proceed.

Senator DOMENICI. Mr. Chairman and members of the committee, I guess I should start by saying that I first became acquainted with Lou Gallegos when he was working for the Department of Agriculture, and he was in charge of food stamps in very difficult areas—for example, he had to put a food stamp plan together for the Navajo Reservation for the Department.

Somebody told me about him and that he spoke Spanish eloquently, that he was a New Mexican and was off in some other city, working for the Government. Without knowing him, I hired him over the telephone, and from some lesser jobs, he grew and became my chief of staff here in Washington—a long time ago. Then, after doing that in a marvelous way, he went back to New Mexico, where the last years of his life have been tough ones, because he has been chief of staff for the Governor of the State of New Mexico.

When you add all of those things together plus the fact that he is a very practical man—and he had a little intervening time to acquaint himself with the Federal Government when Secretary Manuel Lujan from Interior asked him to be the chief of staff for the Secretary of Interior.

I have a prepared statement that enumerates a few more of the exciting and relevant aspects of his life. I would just ask that you make it a part of the record.

The CHAIRMAN. It will be made a part of the record in full.

Senator DOMENICI. I am hopeful that, not only for his sake but for the sake of the Department of Agriculture, he will be confirmed and sent over there quickly. I note the job he has, and Mr. Chairman, I think the administration has picked the perfect person for that level in the Department, with those responsibilities; he will do them well.

Thank you, Mr. Chairman.

[The prepared statement of Senator Domenici can be found in the appendix on page 24.]

The CHAIRMAN. Thank you very much, Senator Domenici, for coming today.

Let me just mention that in that period 1977 to 1984, when Lou was serving you so well, Mitch Daniels was serving me, and I found out that the two had coffee together on many mornings, perhaps comparing their experiences and their difficulties in our offices. Nevertheless, both have survived to this important point.

Thanks so much for coming, Senator.

Senator DOMENICI. Thank you, Mr. Chairman.

The CHAIRMAN. Now I would like to recognize our colleague, Senator Lincoln, who I know has a comment that she would like to make this morning.

STATEMENT OF HON. BLANCHE L. LINCOLN, A U.S. SENATOR FROM ARKANSAS

Senator LINCOLN. Absolutely, Mr. Chairman. Thank you very much.

Mr. Chairman, I am certainly proud to be here today to introduce one of our own from Arkansas to the committee, Dr. J.B. Penn, but I would also like to welcome and recognize Mary Waters and Lou Gallegos, because these are two fine, remarkable people, and are excited and looking forward to working with you through the committee.

President Bush and Secretary Veneman have made an excellent choice for Under Secretary for Farm and Foreign Agriculture Services, and I urge all of my Senate colleagues to support his nomination.

Dr. Penn is originally from Lawrence County, Arkansas, where his father and mother still reside. His father is 96 years old, so that certainly tells all of us that J.B. comes from great stock.

Dr. Penn studied at LSU and Purdue, but he received his first degree from Arkansas State University, which is a great university located in the Mississippi Delta region of Arkansas in Jonesboro.

His accomplishments are numerous, but I think what most qualifies J.B. for Under Secretary is his diverse background in both public and private sectors. J.B. previously served as an economist with USDA and has also worked in the real world, Mr. Chairman, serving as senior vice president and manager of Sparks Companies, Incorporated. I am sure that he will be able to bring a refreshing private sector efficiency to the Farm and Foreign Agricultural Services here in Washington.

I am very proud that such a distinguished and great Arkansan has been nominated to serve at the Department of Agriculture, and we very much look forward to working with you, Dr. Penn. To all of you, good luck and congratulations.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Lincoln.

At this point, let me mention that there are folks accompanying our nominees.

Ms. Waters, would you like to introduce those who have come to support you today from your family?

Ms. WATERS. Thank you, Mr. Chairman.

I have with me my sister, Karen Brice, who has traveled here from Evanston, Illinois; my father-in-law, Terrell Waters; my eldest son, Joey; and my youngest son, Jimmy, is in school today, but I wanted to make sure that he got in the record. Most importantly, the chairman of "Team Waters," my husband Vic, who has been just a terrific partner in these endeavors.

The CHAIRMAN. Very good. Wonderful.

Mr. Gallegos, would you like to introduce those accompanying you?

Mr. GALLEGOS. Yes, Mr. Chairman. Senator Domenici does many things, and this morning, he married me. Ms. Rita Larson Nunez is my fiancee; she is the short person in the front row.

The CHAIRMAN. Welcome. We are delighted that you are here.

Mr. Penn.

Mr. PENN. Mr. Chairman, I am pleased to introduce my wife, Kristin, who is here today.

The CHAIRMAN. Thank you very much for coming.

We are delighted that all of you are here.

At this point, I think we will recess—the vote has commenced—and that way, we will have each of your opening statements in full when we return. Please be prepared to give your opening statements then; and then, Senators will assemble and ask questions of you.

For the moment, we will recess the hearing.

[Recess.]

The CHAIRMAN. The hearing is reassembled, and we will now ask the witnesses, in the order I introduced them, to give their opening statements.

First, Ms. Waters.

STATEMENT OF MARY KIRTLEY WATERS, CHAMPAIGN, ILLINOIS, NOMINATED FOR ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS, U.S. DEPARTMENT OF AGRICULTURE

Ms. WATERS. Thank you, Mr. Chairman.

I am honored to appear before you today as President Bush's nominee for Assistant Secretary of Agriculture for Congressional Relations.

I am grateful to President Bush and to Secretary Veneman for the trust they have placed in me by supporting my nomination for this position. I very much appreciated the opportunity to introduce my family members, and I would like to give you a little bit of

background about my work in agriculture previous to this nomination.

My background is extensive, beginning with my upbringing. My father was a professor of livestock marketing at the University of Illinois and moved to Washington, DC to take a sabbatical with USDA.

More than 20 years ago, I had the distinct honor of working for my Congressman from Illinois, former Secretary Ed Madigan. His knowledge and passion for agriculture was instrumental in my own professional decisions to pursue this area.

I worked as director of the Agriculture Task Force of the Republican Research Committee when the 1981 Farm bill was signed into law.

The following year, my agricultural experience took on a decidedly Southern flavor when I work for Congressman Larry Hopkins from Kentucky and was on his staff during passage of the 1983 No Net Cost Tobacco Act and the 1985 Farm bill.

Upon graduating from night law school in 1986, I left public service to work for ConAgra Foods, a diversified food company headquartered in Omaha, Nebraska. This experience helped me develop expertise on a wide range of agricultural issues, including commodity policy, trade, food safety, and changes in industry structure. More importantly, I developed valuable working relationships with government, industry, and consumer representatives who are intimately involved with agricultural issues and policymaking.

Throughout my career, I have very much enjoyed working with the members and staff of this committee. I again thank you for this opportunity to appear before you today, and please know that if confirmed by the Senate, it would be an honor to serve in this administration.

Thank you.

The CHAIRMAN. Thank you very much, Ms. Waters.

[The prepared statement of Ms. Waters can be found in the appendix on page 26.]

Mr. Gallegos.

STATEMENT OF LOU GALLEGOS, RIO RANCHO, NEW MEXICO, NOMINATED FOR ASSISTANT SECRETARY FOR ADMINISTRATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. GALLEGOS. Good morning, Mr. Chairman and members of the committee. I am honored and privileged to appear before you today.

My name is Lou Gallegos, and I am the President's nominee for Assistant Secretary for Administration at the U.S. Department of Agriculture.

As you know, Departmental Administration supports the Secretary and the Department's agencies through central management and administrative policies, programs, and services. Simply put, Departmental Administration's job is to help USDA fulfill its mission.

I am no stranger to agriculture or to the U.S. Department of Agriculture. My service in the Food and Nutrition Service during the expansion of the Food Stamp Program and later as State Director of the Farmers Home Administration in New Mexico imbued me

with an appreciation and understanding as to why it is more appropriate than ever today for the U.S. Department of Agriculture to be called "the people's Department."

Agriculture means more to me than public service alone. Agriculture is part of what I am. I am the descendant of sheepherders who subsequently became migrant farm workers in the asparagus fields of California, the potato fields of the San Luis Valley of Colorado, and ultimately the sugarbeet, onion, tomato, and melon fields of the Arkansas Valley.

At 11 years of age, I was proud to be counted as one-half an employee for hourly wage purposes, which gained me $2.50 per day in earnings.

It is in that context that I grew up with agriculture—a hard row to hoe, you may say—but precisely why I am particularly grateful for your consideration today. For that 11-year-old toiling in the fields to grow up, if confirmed, to become Assistant Secretary of Agriculture is a vivid symbol of America's promise.

My pledge if confirmed is to discharge faithfully and diligently the duties and responsibilities of Assistant Secretary in keeping with the finest tradition of the U.S. Department of Agriculture.

I am delighted at the prospect of working with Secretary Veneman and with this committee and the whole Senate and the whole of the Congress.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, sir.

I have to interject at this point, because nostalgia overtakes me, but your mention of your work in the fields as an 11-year-old reminds me of my brother Tom and me in my dad's soybean field, where we had to pull out volunteer corn for 10 cents an hour. It remains vividly in my experience—they were very large fields.

[Laughter.]

[The prepared statement of Mr. Gallegos can be found in the appendix on page 27.]

The CHAIRMAN. Mr. Penn.

STATEMENT OF J.B. PENN, LYNN, ARKANSAS, NOMINATED FOR UNDER SECRETARY FOR FARM AND FOREIGN AGRICULTURAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Mr. PENN. Thank you, Mr. Chairman.

It is a great honor for me to appear before you today as President Bush's nominee to be Under Secretary for Farm and Foreign Agricultural Services. I certainly appreciate the trust and confidence that the President and Secretary Veneman have shown in me.

I also very much appreciate the kind introduction by my home State Senator, Senator Lincoln.

I am both pleased and humbled to be here today. There are perhaps few times in our history when agriculture and the food industry have faced challenges quite as daunting and from so many different directions. Our industry today is grappling with assimilating a wide range of new and potentially very powerful technologies, ranging from biotechnology to e-commerce to precision agriculture. It is also confronting globalization and experiencing rapid restructuring in every, single segment. At the same time, far-reaching new

policies must be developed that will importantly influence the industry throughout the decade and well beyond.

Those new policies include new agricultural legislation to replace the expiring FAIR Act, and that deliberation must address some very fundamental philosophical issues concerning the direction our modern farm sector should take in the 21st century.

Our window of opportunity for a successful new multi-national round of trade negotiations could soon close, and we must quickly buildupon the progress made in the historic Uruguay Round or lose the chance to do so for perhaps a decade or longer. Major policy initiatives are underway to create a Free Trade Area of the Americas and also to expand trade with the important Asian region under APEC.

The next few years will prove extremely important in determining how successfully our industry will adjust to all these new forces and how it will fare economically in the new century. I would be very pleased to have an opportunity to participate in this most important process.

As Senator Lincoln noted, I come to this position from 20 years in the private sector, with much of that time closely monitoring and analyzing developments across the industry, and working with companies and organizations in all facets of the farm and food business. I also have been fortunate to have gained considerable direct experience in the international aspects of agricultural, both through work in many parts of the world and in analyzing trade flows and agreements.

Before my private sector career, I served in Government, both in USDA and on the staff of the President's Council of Economic Advisers. I hasten to add that much has changed in the interim, but suggest that the understanding gained during that time will prove very useful in this new endeavor.

My training is as an economist, and my entire professional career has focused on the economics of the agriculture and food industry. Thus, it is from the primary perspective of an economist that I approach the position rather than from a particular philosophical or political orientation. I am also proud to note that my background includes having been raised on a small family farm in northeastern Arkansas.

I would highly value the opportunity to work with all the dedicated employees of USDA, especially those in the farm and foreign ag services mission area embracing the Foreign Agricultural Services, Farm Service Agency, and Risk Management Agency. In this capacity, I would welcome the chance to work to expand markets for all of our producers and effectively and efficiently implement agricultural policies and programs for farmers and all Americans.

If confirmed, Mr. Chairman, I am committed to cooperate fully with this committee in helping to meet the unprecedented challenges facing American agriculture and the entire economy.

Thank you.

[The prepared statement of Mr. Penn can be found in the appendix on page 29.]

The CHAIRMAN. Thank you very much, Mr. Penn.

I will commence with questions for Ms. Waters, and I will ask you a question that I will ask each of the nominees to begin with.

Do you agree that you will appear before any duly constituted committee of Congress if asked to appear?

Ms. WATERS. Yes, Mr. Chairman.

The CHAIRMAN. Thank you for that response.

In our legislative efforts and oversight function in this committee, we often seek information from the Department of Agriculture. Do you promise to respond quickly to letters or other requests from the committee?

Ms. WATERS. Yes, Mr. Chairman.

The CHAIRMAN. We are aware that you have recently been employed by a large corporation with interest in the functions of most, if not all, of the agencies of USDA. What steps do you intend to take to avoid any conflict of interest or any appearance of conflict of interest?

Ms. WATERS. Mr. Chairman, I have sent a letter to the Office of Government Ethics, and I have been working closely with the Office of Ethics at the Department of Agriculture.

I resigned from my position at ConAgra Foods on April 13, and I have committed to the Office of Government Ethics and to this committee that within 90 days of confirmation, I will sell all stock that I own along with that of my minor children.

I also have some vested stock options which I will also exercise and sell. I also have a 401(k) retirement plan which contains ConAgra stock, and that is in the process of being rolled over to an outside account with a diversified stock portfolio that the Office of Government Ethics has cleared as being acceptable for someone in my position.

The CHAIRMAN. It would appear from that recitation that you have taken very thorough steps to meet this obligation. Have you worked with counsel from the committee and from the Department of Agriculture and with others as they traced through your financial statements and assets to make certain that this was a complete situation?

Ms. WATERS. Yes, and I believe your staff may know my assets more thoroughly than my husband does at this time.

The CHAIRMAN. Well, we do, in fact.

[Laughter.]

The CHAIRMAN. We have a very good background of you, Ms. Waters, as you would anticipate.

How has your employment by one of the country's largest agricultural corporations affected your views of the appropriate structure for agriculture?

Ms. WATERS. Yes, Mr. Chairman. I have worked for a diversified food company in my most recent experience and have represented the views of those shareholders. I think that that experience has given me an opportunity to show the skills that I hold as far as problem-solving, addressing issues in a collaborative manner, trying to create coalitions to work on problems as they arise, and providing useful information in a timely manner.

I am hoping that the skills that I used representing that organization would be helpful for this committee to consider when looking at my nomination.

The CHAIRMAN. Have you visited with Secretary Veneman about your responsibilities in Congressional Relations? Do you have any

format or any background that you can give to us as to what those activities might include?

Ms. WATERS. We have had an initial discussion of it, and she is very interested in the working of that office and is obviously very familiar with it from her previous tenure at USDA. She has met with all of the nominees for Under Secretary positions and has expressed an interest that once we are confirmed, we should sit down in a collaborative manner, as a team, and start addressing the specific issues that will be before Congress. I think the office will play a great role in that, and I am looking forward to talking to the Secretary once confirmed.

The CHAIRMAN. In your work both as a staff member of a Member of Congress as well as your work in private industry, have you met or are you well aware of the members of the committee, both the House and the Senate committees, and feel comfortable working with them?

Ms. WATERS. Yes, very much so. Many of the Members of the Senate, I developed relationships with while they were still House Members in their previous lives. That was, frankly, one of the things that so interested me about this position, that I very much enjoy working with the members of this committee and their staffs, and I have been doing so for a long time.

The CHAIRMAN. Well, we look forward to working with you if you are confirmed, and we very much appreciate your appearance before the committee this morning.

Ms. WATERS. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Gallegos, let me ask you the mandatory question: Do you agree that you will appear before any duly constituted committee of Congress if asked to appear?

Mr. GALLEGOS. Mr. Chairman, yes, sir.

The CHAIRMAN. Thank you for that response.

Let me just mention at the outset, because I want to approach this thoughtfully with you, that the United States Department of Agriculture has had longstanding problems in the area of civil rights, and this has been apparent in hearings that we have been conducting now, unfortunately, for several years.

The problems plague both programs that deliver services as well as employment at the Department. In response to an inquiry made by distinguished ranking member Senator Harkin of Iowa and myself, it appears that in January, USDA had more than 500 unresolved program complaints that averaged almost a year each to process.

With respect to employment complaints, as of January, there were 1,870 unresolved complaints averaging more than 600 days to process.

Are you aware of this problem, and how do you plan to resolve these civil rights difficulties at USDA?

Mr. GALLEGOS. Mr. Chairman, members of the committee, this is a problem that Secretary Veneman herself acknowledged. I take it very seriously as a problem. I have looked into it in recent days.

Mr. Chairman, I believe that the solution is not a mechanical one. It is a situation that is ripe for very strong leadership and attention in this particular area. Mere pronouncement of non-dis-

crimination or non-tolerance are not enough to solve these problems.

At the same time, I am satisfied that the fundamental structure to begin to deal with backlog problems at the Department is beginning to take shape, and I believe, after a preliminary discussion with Secretary Veneman, that this absolutely has to be a top priority of the Assistant Secretary for Administration, and it will be, sir, if confirmed.

The CHAIRMAN. Well, I certainly appreciate that affirmation. I would just observe, and I think Senator Harkin would agree, that the civil rights record at the Department has really been so dismal that some have suggested placing it in receivership—namely, over in the Department of Justice—or trying to find some external alternative resolution.

Obviously, it would not only be preferable but it would be appropriate for USDA to be able to resolve these cases and then to bring about a situation which we are unlikely to see so many cases, simply because things are done right from the beginning.

You have mentioned that the Secretary has this right in front and center in terms of priority, and obviously, you do, given the position that you seek. This is an area in which the committee has tremendous interest, and I wanted to take the opportunity of this hearing simply to highlight that, because I know that we will be returning to it probably with you sitting where you are now and explaining at an appropriate time what happened and how things were resolved, how justice occurred, or whatever you have to say about the situation before we take action. We certainly wish you well and a running start in what has been daunting, at least for your predecessors.

Let me ask as you approach this particular position—you have been serving the Governor of New Mexico for several years as chief of staff; you have served Senator Domenici, as he testified, for a period of eight years or so as his chief of staff—what similarities and what differences do you see? Do you have some idea of the scope of the Department at this point? Have you had a chance to discover all the far-flung empire that includes FDA and all of what are sometimes called the "stovepipe" division in which people find it difficult to communicate with each other, quite apart from even the Secretary or the Under Secretaries.

Having analyzed all of this, what comment do you have to make about how you will proceed into your office?

Mr. GALLEGOS. Mr. Chairman, there are significant similarities. The central element is that it is about management, it is about managing and integrating for a common purpose diverse interests within the organization, and admittedly, there are diverse interests in the Department of Agriculture as there are in a Cabinet-organized State. It is about getting results and getting them with the cooperation and the willingness of the players.

The CHAIRMAN. Well, more power to you. I would just say, as we discussed this privately during a conference in my office—and I appreciated each one of you coming to visit before visiting with the staffs on both sides of the aisle on our committee—but over the course of time, one of my missions has been to encourage the Secretaries and the Under Secretaries to be that for all of the Depart-

ment—not just as a closed group visiting with each other—because my own experience has been that frequently, there are large sections of staff at USDA that are off by themselves, or at least have had much of an isolated status, and this has made overall policy very difficult.

As I related to some of you, during our hearings on the Y2K problem—although that, thank goodness, did not ultimately appear to be a problem for the Department—it did reveal the lack of communication, even among computers back and forth and personnel in various situations.

We learned a lot about ourselves during that process, threw out a lot of computer systems prior to the fateful day or night, and have been trying to think through the presentation of the Department, both to the Congress and to the public and, most importantly, the people that we serve in all agencies.

I thank you for that testimony and for your affirmation.

Mr. GALLEGOS. Thank you, sir.

The CHAIRMAN. Mr. Penn, let me ask you, do you agree to appear before any duly constituted committee of Congress if asked to appear?

Mr. PENN. Yes, I do.

The CHAIRMAN. I thank you for that affirmation.

As you have testified in your opening statement, one of the primary functions in this Congress for this committee will be the drafting of a new Farm bill as we work with our colleagues in the House and as we work with the administration.

If you are confirmed, obviously, your responsibility will be to oversee an important part of the USDA that deals with farm programs, trade programs, and other things that you have mentioned in your testimony. As you envision the situation now, what will be the USDA role in helping to shape the Farm bill, and will USDA provide bill language or an outline; and in what form is that leadership likely to come?

Mr. PENN. Mr. Chairman, the Secretary has indicated that in this particular Farm bill round, she wants the Department to play a very significant role and a very cooperative role with congressional committees in developing the new legislation.

If confirmed, one of my very first responsibilities will be to develop a process within the Department by which we can bring together all of the expertise, and we can make that cooperation and contribution to the process.

This is a very important piece of legislation, and we hope that we can get all of the segments of the Department talking with each other—it involves more than just farm commodities—and we want to try to have a cooperative process within the Department, and then we would like for this to be a much more cooperative process with the committees than perhaps has been the case in the past.

If confirmed, I am looking forward very much to working with this committee and the House committee in the development of new legislation.

The CHAIRMAN. Once again, do you have any idea in what form this advice or counsel might come?

Mr. PENN. Yes. Given the state of play with the considerable process that has already been made by the House committee and

by this committee, I would expect that it is not practical for the Department to attempt to develop a full-blown proposal with detailed legislative language. It is probably more practical for us at this late date, assuming that we are confirmed and working in the next few days, to develop something on the order of a red book or a green book, or principles or guidance—something of the kind that has been done before.

We would expect to treat all of the areas that are included in the Farm bill, but again, to advice ideas and suggestions for consideration by the committees.

The CHAIRMAN. Let me just say on behalf of myself and Senator Harkin that clearly, we both recognize—because this is the first hearing that we have had with regard to nominees in the Department since the presence of the Secretary herself before the committee shortly before the Inaugural, and this is already May 9, and that you have had no control over nor have we—on the other hand, the Department is about to be formed, at least in terms of the top-level appointees and some of your subordinates who require confirmation.

We have had in this committee, as you have observed, very good hearings on the research, conservation, and trade titles. These are important parts of any farm legislation. We have not commenced drafting those chapters yet or amending what we have done in the past, although staffs on both sides of the aisle have thought a lot about this. Many Senators have strong enthusiasm in these areas. I think we have tried to maintain at least a pace that gives some opportunity for the Department through the Secretary, through yourselves, through other gifted people over there, and maybe through others in the administration who have some ideas about this, not only to be heard but to participate as vigorously as you wish. I think this is important, because ultimately, as my experience has been, we have both Houses passing farm bills, usually very difficult conferencing of those issues, but finally, at the end of the day, the President must sign that bill. This usually means that the Department or the White House counsel or whoever is interested in this have to have some enthusiasm or affinity for this.

There are several players in this that we need to recognize, and this is why we have not rushed to justice, but on the other hand, we will need to pick up the pace of things. I hope that, as you wish and the Secretary may wish, you will begin to funnel to us these books of advice or guidelines or what-have-you, to give us some idea of where at least the administration is headed so that we are not surprised—or you are not surprised—by this, and that we can work with our House colleagues, hopefully, hand-in-hand so that we have at least as good an opportunity as possible.

Without going into endless anecdotes, I recall the last Farm bill, and essentially, our conference resolved that sometime in February 1996. It was a very long and difficult conference. It occurred in this room. The final night and day and morning of it were continuous—as I recall, for the better part of 12 hours or so, with small groups dispersed in rooms that were close by as they tried to work out problems—and even then, it was not for sure that we would have a successful conference or that we could come together on these things.

You have been through this process, all three of you, from different vantage points, watching it, but ultimately, Chairman Combest and I have some responsibility to try to pull all of our troops together and to keep talking about it and to keep in touch with you.

I take this opportunity simply to spell all of this out as explicitly as I know how, because it is very important from the beginning that we take off.

Now let me ask you, Mr. Penn, in your work with the Sparks Companies, you have worked with a large number of clients who have interests before USDA, and your wife works for a large agricultural concern.

How do you plan to avoid the appearance of impropriety or conflict of interest with regard to all of these entities?

Mr. PENN. Mr. Chairman, like my colleagues, I have spent quite a lot of time with the ethics lawyers and have developed an agreement, and in that agreement, I will recuse myself specifically from any matter pertaining to my former employer, and I will recuse myself from any matter pertaining to my wife's employer. Beyond that, if any event arises involving any of the numerous companies or organizations that I have had contact with in the past, I will consult the ethics personnel in the Department for guidance as to how best to proceed.

The CHAIRMAN. Well, you have anticipated the second question I asked of Ms. Waters—namely, you have consulted carefully with counsel of the Department and the committee; you recognize not necessarily the problem, but likewise, the dilemma that these ethics issues bring as you fill out all of these forms, revealing your life history of financial dealings and that of your family. I appreciate the conscientiousness with which all of you have approached this. I raise it specifically in open hearing as a question because these confirmation hearings are supposed to explore the sensitivity of the nominees so that we are all on the same track.

Mr. Penn, let me ask you this broader question. In the January 2001 Sparks document entitled "Agricultural Policy Discussion Paper: A Categorization of the Farm Sector into Three Distinct Groups," which you found as commercial, transition, and non-farm farms, this work suggested that farm policy should not have a "one-size-fits-all" approach and that there should be more discussion of the focus of farm policy.

The paper concluded—and I quote—by saying "The commercial farm sector would be the focus of one component, treating issues and concerns such as risk management, trade expansion, et cetera. Another component could focus on the transition farms if desired, with programs appropriate to helping them become viable over the long run or assistance in more viable endeavors. Other components could address the rural policy aspects for the much larger number of places not connected to agriculture—conservation and the environment and other special concerns."

I read that paper in January and in fact have quoted from it in a number of speeches, because I think it makes an enormous contribution to the scholarships and the economics of agriculture.

Let me ask you, as author of the paper or at least as one who brought it about, what was your idea in formulating this paper—

and for those who have not read it, there are very interesting statistics about the numbers of farms—for example, 157,000 as commercial farms and 189,417 as transition farms and 1.57 million as non-farm farms, with the latter receiving on a net basis all of their income from off the farm, which means that some get some money on the farm, but others lose enough that, as a net basis for that group.

This is a striking revelation about the structure of American agriculture. I want to give you this opportunity to elucidate more of what you had in mind and how this might affect your views with regard to the current Farm bill formulation.

Mr. PENN. Mr. Chairman, our original intent was to explore the specific question as to why farmers were not responding to the low prices in the same way that they had earlier responded to the high prices. That is, when prices fell from the high levels they had reached in 1996, why did farmers continue to expand acreage and expand input use and expand outputs with what lots of people thought were exceedingly low prices. We thought there was some disconnect there, with all the concern about economic conditions in the farm sector, but at the same time, land prices were continuing to increase, cash rents were continuing to increase, and farmers were generally expanding output.

The Department of Agriculture had just released the new 1997 Census of Agriculture at that time, and we thought that perhaps the answer might lie somewhere in looking at the structure of the farm sector, and that is what we did. We explored the 1.9 million places that are counted as farms, and we discovered these three groupings that you mentioned.

There are about 1.6 million farms that are much more connected to the non-farm economy through jobs and wages and employment opportunities in the rural areas generally than they are to the price of agricultural commodities.

On the other end of the spectrum, we found what we call the commercial farm sector, which had 157,000 farms, and they were exceedingly efficient. They had a much lower cost per unit for producing commodities than did the other farms. They were much better at marketing. They were able to obtain a much higher price per unit than were the other farms.

With the market environment that existed and with the benefits from the Government programs, we found that these farms were indeed profitable, that they were earning a competitive rate of return, and that they were able to continue to buy land and continue to produce. It was that production—these farms produce about 72 percent of all the output—that was keeping the downward pressure on prices.

Then, of course, as you indicated, there are the 189,000 or so farms that are in the middle, that have sales between $100,000 and $250,000. They are the ones who are not so technically efficient; their costs are not nearly as low as the larger farms. They are not quite as good at marketing; they do not obtain as high a price as the other farms. Their margins are much less, much reduced from what the margins are for the large farms, so they are the ones who are struggling during this period.

That led us to suggest not any particular policy prescriptions but to the conclusion that you mentioned, that maybe this "one-size-fits-all" approach that farm bills in the past have employed may not be the most appropriate way to proceed in this new, modern era; that perhaps there are other approaches that might try to develop policies and programs for the 1.6 million farms that comprise rural America and policies and programs for the commercial farms that produce most of the food and fiber and are most concerned with the export markets.

That was the point of that exercise, and thank you for noticing it and for citing some of the statistics from time to time.

The CHAIRMAN. Well, I think it was a remarkable paper, and I want to ask some more questions about it, but at this point, I want to recognize Senator Nelson, who has joined us. We appreciate your coming, Senator, and if you have either comments about the nominees or questions of them, please proceed at this point.

STATEMENT OF HON. BEN NELSON, A U.S. SENATOR FROM NEBRASKA

Senator NELSON. Thank you very much, Mr. Chairman.

First of all, I would like to welcome the nominees here today. It is good to see Mary Waters again; from her association with a Nebraska-based company, we are very familiar with her good work. Mr. Penn and I spoke yesterday; and Lou, of course, having worked for Senator—or, for Governor Johnson—how quickly we forget our former titles—it is good to see you again. We appreciate your being here.

J.B., as we were talking yesterday, a lot of changes are certainly going to be developed in the future and are going to occur because of what we do and sometimes will occur in spite of what we do.

Can you lay out your vision for what a surviving operation might look like in the future? I have already suggested to the Chairman that I am a little nervous when he categorizes himself as "in transition." I do not know if he is transitioning up or transitioning down.

The CHAIRMAN. I am trying to find this out, too.

[Laughter.]

Senator NELSON. Exactly. It might help the Chairman, and it certainly would help me to have some idea of what you think the surviving operation in the future might look like. You have indicated how important it is to be able to have some economies of scale and certainly efficiency in operations, and what you have described seems to apply more to big than it does to medium and small.

Maybe you could give us some idea of what you think it is going to look like when this is all settled out.

Mr. PENN. That is a very interesting question, and in a lot of the analysis that I have been involved in in the past, we have taken a look at these very efficient, large, leading-edge farms, and we found that they did have some characteristics that were different than the medium-sized and smaller farms.

As you indicated, they are technologically very efficient; they adopt all of the latest technology. They are always looking for any new way to reduce their unit cost.

On the other side, they are very sophisticated in their marketing approaches. They use the futures markets, they use forward pricing, they use crop insurance and other risk management tools—and they are also very careful in their input purchasing. They try to buy in volume, and they try to jump over segments in the supply chain and go directly to the source.

In short, Senator Nelson, they are operated much like any business would be operated. There is specialization in management. The larger farms have people who are focused on crops and people who specialize in livestock and in machinery and in finances. They are organized and operated much like any other business. I expect whether we think that is appropriate or whether we like it or not, that is probably what the surviving major commercial farms of the future are going to look like.

There are opportunities for other-size farms as well. We are seeing more and more farms explore options dealing with biotechnology products where they can produce a value-enhanced product that does not require the same size and scale as the larger farms. We are seeing farms, even smaller farms, entering into niche markets such as for organic produce and things of that nature.

I would expect that in the next 10 years or so, through biotechnology, we will see a lot of opportunities for industrial products, for maybe an entirely new market involving nutriceuticals or medicinal products as well as products that have involved nutrition for all these years.

I think the future is probably evolving in some way along those lines.

Senator NELSON. It is not inevitable then, that small goes out of business, medium becomes small, and only the large get larger?

Mr. PENN. No, I do not think so. I think we have a mind-set in this country that is focused on commodities. We have focused on No. 2 soybeans, No. 2 yellow corn, and that does involve size, because the margins are small. I think that with the advent of biotechnology and value-added products in other areas, there now may be a focus on widening margins from the revenue side as well as the cost side, and that may not have to occur as it has in the past.

Senator NELSON. Even in the case of the large and particularly in the case of the medium and the small, until you get a good market price for the product, even the bigger truck and the better technology and the better economies of scale don't get you into profitability—is that fair to say?

Mr. PENN. I think that is fair to say. I cannot miss an opportunity to plug expanded trade and foreign markets. I think that is one of the biggest opportunities for improving the price of our products is to get our producers much greater access in foreign markets.

As the Secretary has pointed out repeatedly in her statements, 96 percent of all the consumers in the world live outside the United States, and we have the capacity in this country to produce far more than we need to feed our own population, so we need those foreign markets and to continue to try to expand those markets.

Senator NELSON. Will you be supportive of and pursue aggressively the expansion of the Export Enhancement Program and the

Market Assistance Program and other pump-primers that will help us expand into many foreign markets? I have made a lot of foreign trade missions as Governor. Having had that experience, I know that even there, the strong dollar, with all of our efforts, unless we get into the pump-priming process even more aggressively, we can talk about expanding the trade opportunities, but it is economically very difficult to do so.

Mr. PENN. The Department has a number of these pump-priming and market-opening tools, as you indicated, and if confirmed, I will certainly be trying to use those in the most effective way to expand markets for our producers.

Senator NELSON. Of course, focused as well on what we can do with renewable resources in the area of growing our own fuel through ethanol, soy diesel, and the biomass and bio-fuels, I assume?

Mr. PENN. Yes.

Senator NELSON. Thank you very much. I appreciate it.

Mr. PENN. Thank you.

Senator NELSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator. I certainly share your enthusiasm for biomass, ethanol from every source that can come off of a farm. We tried to stress that with the Secretaries of Energy and others who also have some look-see into our situation.

I appreciate that the Senator has obviously been listening to my comments about your paper and identifying my farm as one of these transition farms, as I have identified it that way. I have looked into your paper to see what happens to farms about the size of mine, and essentially, you point out that the large farms are more sophisticated in terms of their marketing, and as I recall, your paper showed they often get 20 cents more per bushel for wheat than do some of the other farms down in even more of a differential with the smaller farms, and likewise for corn and so forth.

Essentially, these marketing tools, whether they be futures markets or sophistication of that sort, pay off for these folks, and in other planning ways.

The point, however, that you made earlier is an intriguing one, and that is you tried to discover why, given low prices, we seem to be having decisions in American agriculture to produce more. This is sort of counterintuitive. As your paper points out, not counterintuitive, if you take a look at at least a couple of things—and you cited many more—but for example, even our loan deficiency payments, as low as they may seem to many corn farmers, say, if you are one of these very efficient farmers, you can make money because your costs are even less, in a marginal sense, than the loan deficiency payment. Even that may spur you on.

This is very difficult, I think, for all of us to understand, but at some point, either you or someone else cited that we may have had as much as three percent more production spurred by even the floor or the safety net than we would have had otherwise. Or, take the crop insurance bill we passed last year—that may have spurred another three percent production.

That here we have a situation in which we are all lamenting how low the price are, but adopting policies, for good reasons—safety

nets or all risks and so forth—that may be incentives to produce more and thus create lower prices.

You also point out in your paper that one effect, of our payments, AMTA payments or double AMTA payments or all the things we do, is to steadily increase the price of farm land in most States of the Union, and farm rents derivative from that, which is difficult, then, for the entering farmer or younger farmer situation, or even for those who do not own land but are renting from others; they have a cost there that is going to be higher, based really on many of the policies that we are adopting.

Then, as Senator Nelson has pointed out, the trade problem has not worked out so well for us, in part because of Southeast Asia difficulties or trade protectionism or all of the reasons. Here we have a situation—and you are quit correct, if we can move the product, quite clearly, that would help price, but we have not been able to move the product. We are sort of stymied in our trade negotiations, and hopefully, we will do better.

In the face of this, offering incentives to farmers either through crop insurance, through LDP, or through whatever we are doing, while having a much more constricted market domestically, without the push we had, of course, is likely to lead to even lower prices. It is a circular argument of many farmers coming to this committee, hoping for relief, for more payments in one form or another, and for a broader group of crops all the time.

One of the ag newsletters yesterday reviewed all of the different kinds of specialty crops in which the Department is now involved in making payments or ascertaining and calculating how payments could be made. It was a list of four pages, and as I recall, 40 or 50 different programs, going through many fruits and vegetables and mohair, and honey is back, and a good number of things like that.

We are attempting to fix almost every, single farm situation, regardless of size. In the midst of all of this, how do we address the problem, say, of these 1.57 million farmers. This is the huge majority—82 percent of farm entities who in fact, as you point out, are getting 100 percent of their money from off the farm but nevertheless are a part of the Farm bill, the farm picture. For these transition farms, you mentioned that perhaps some other programs might be more appropriate; and what about the incentives that we are giving to overproduce, even while we lament the overproduction and the lower prices and the constructed trade?

Can you give us any views of the figure that bring some new focus in a farm bill that we might write?

Mr. PENN. Mr. Chairman, it seems to me that you have developed a pretty good outline for a new farm policy there in your statement.

As I indicated in my statement, I have approached these issues as an economist, focusing on the economic impacts that come from these very different policies. I have also been aware that politics plays a large element in developing these farm programs, and there is a little bit of a gap there between what economics would suggest and what the politics would dictate.

I do think that we need to explore in the development of this next Farm bill the kinds of questions that you very clearly stated

there. I do think there are problems in rural America that would be treated much more effectively outside the farm policy context. We have noted the economic well-being of not only these 1.6 million farms but of tens of millions of other people who reside in rural America. Their well-being is much more dependent on macroeconomic conditions, on the development and creation of new jobs, on wage rates, on having appropriate infrastructure in order to be gainfully employed, such as access to the internet and all of these sorts of things. My colleagues at the Department in the rural services area I know are going to be exploring some of those options. I think that is one possibility.

For the middle-sized farms, the 189,000, I think there is some part of those that really belong with the 1.6 million. They are going to continue to exist regardless, and what happens to the price of corn and soybeans and wheat will not be of material significance to their overall well-being.

Then, that leaves us with the difficult questions, as you note, of what to do about the commercial farm sector, and I do not have any particular policies to advocate, but as an economist, I know that I share your concern that we may be unwittingly doing things that are going to cause us some considerable misery at some point in the future. If most of the benefits of these programs continue to be bid into land prices, that creates an artificial market for land, and at some point, there would be a day of reckoning which would involve not only the farmer but the lender, the rural businesses, and others.

There is also another side to this—to the extent that cash rents continue to be bid up, reflecting the increase in the asset value, that reduces our competitiveness in the foreign markets. We are already in a position in which we are losing market share, and it seems to me we need to be focusing on a more efficient and increasing market share rather than doing things—certainly self-defeating things—that preclude us from a greater market share.

Those are the kinds of discussions that I certainly hope we can have in the development of the next Farm bill.

The CHAIRMAN. I thank you for that comment, and I don't want to belabor the issue, but just making your point again, I think the tables in the USDA reports that we consult in trying to think, for example, as we did last year about doubling the AMTA payment—we looked at the net farm income for all farms in America, and roughly, we were heading toward a target of about $45 billion, which had been the net farm income a couple of years back. I think the prediction was 41 or 40 or thereabouts, and we plugged in 45, to get it back up to 45. Once again this year, it looked as if, without there being more payments, it might slip to 41, and maybe in a second year down to 38.

It is not surprising that we have plugged in some more money to get it back up to 45. This is a net farm income—this is income, not loss—for all the farms in America—$45 billion. There is no other business in our society in which anyone is overseeing it in this way—machine shops or drugstores or dot-coms that are going out of business or what-have-you. We have made a deliberate attempt as a Congress and as an administration, with the last administration, to do this kind of work.

One of the other results in the tables and one not often noted is that the net worth of American farmers as a group has been going up each year. The public asks how in the world could this be given low prices, rock-bottom prices, historically low, as is often mentioned around this table, and the potential for farmers going out of business wholesale in every direction. How in the world could net worth for the whole group be going up?

This is why work such as you are doing is very important. You do ont offer all the answers to this—but one reason, of course, is that land values have been going up. We have been plugging in money, putting money into the country, and the values of those basic assets go up. What is happening on that land may not be doing so well given trade policy or whatever else, but certainly the net worth is doing well—if you are in the game now and if you are in it big. If not, you have got some problems.

What I hope—without your trying to illuminate this today, because these are very big subjects—is that as money has been set aside by the Budget Committee—and we will be voting on that budget probably sometime today or tomorrow and then working from that—but some of that money, perhaps, should go for conservation; some of that money may very well want to go to rural America in terms of trying to develop a basis for income for people who are on these farms now, the 1.6 or 1.7 million who are not doing very well.

That will take some creativity, but that could be a part of a farm bill. I think that we probably need to give a lot of thought to that if we are humane about this process, because we have noted in this committee only 300-some counties of America have even 10 to 20 percent of their income coming from farming—and that is the high water mark out of 3,000. Another 300 have, say, 5 to 10 percent, as I recall; about 2,400 have virtually no impact, whether they are rural or not; 1,800 are rural, and farming does not make a whole lot of difference right now in terms of their incomes, although we often talk as if it did, that we are preserving the infrastructure.

I hope that in your creativity in your shop of economists, you will really take a look at the actual realities of what is happening in rural counties in America, what the impact is of our policies and what it might be in the best of all worlds, to help rural people, all of the rural people, of the country, and in addition to the very special producers who are doing a great job.

When 8 percent of American farms produce 72 percent of all that we are doing, that is a remarkable feat, and we want to encourage those farms. At the same time, I think you and your associates have revealed a landscape that is something different than the 8 percent, the other 92. Life for them is right now very different.

Let me just ask one more question, because this has been raised, and I want you to clear the air. In August 3, 1999 testimony to this committee, you commented that "The average variable cost of producing corn in the corn belt area was probably 95 cents to $1 a bushel." As I understand it, variable cost is a concept used by economists to categorize some but not all the costs of production.

Can you describe for us the difference between variable and fixed cost, and what is the Department of Agriculture's current estimate of the average variable cost of producing corn in the corn belt area?

Mr. PENN. Well, I think you explained it very well, Mr. Chairman. In that testimony, I did talk about "average variable cost," and that is an economist's term. As you may know, that was misinterpreted by some to mean total cost of production, and I did hear from a few producers who said, "I cannot grow corn for anywhere near $1 a bushel or whatever number you cited."

Of course, I was only referring to cash cost or out-of-pocket cost. As you indicate, total cost of production includes the very considerable land cost, depreciation, and some other overhead costs.

The comparison I was trying to make is the one that we have discussed earlier this morning, in that when farmers go to make a planting decision each year, they look at their cash cost versus the guaranteed price, which is the loan rate. If you have a cost of production of $1 a bushel for corn, and the loan rate is $1.89, you have covered your cash cost, and you are likely to continue to produce.

It is this Marketing Loan Program which explains a lot of what we would at first glance think is a lack of response to the lower prices.

Thank you for allowing me to clarify that.

The CHAIRMAN. Well, it is a very important point, and it illustrates one of the thoughts that I had earlier on. One reason for over-production on my farm or any other—if we have a variable cost of $1 a bushel—is it pays us to produce as much as we can. We are going to get $1.89 for every bushel we can get down there to the elevator.

That is why all of this is sort of counterintuitive—low prices do not necessarily mean lower production or some adjustment if in fact your cost structure is such that you make money on the thing. I appreciate your illuminating that further.

Senator Nelson, do you have more questions of the nominees?

Senator NELSON. If there is one thing that would be the most important thing that you could do that would have the greatest positive impact on farms as part of a farm bill, what would it be—one thing that would be the most important; the biggest idea that we could come up with that would have the greatest impact—maybe not do it all; it certainly has to be part of an overall package; it is multifaceted—but so we do not worry that Senator Lugar is going to put a "for sale" sign out if he reads another paper you write.

Mr. PENN. We certainly want him to transition up.

[Laughter.]

Mr. PENN. Senator, that is a very, very difficult question. My answer would be that I think the most important thing that public policy can do for the long-term health of the farming industry is to expand the foreign market. Now, that is not exactly a component of the traditional farm bill, but as I indicated before, we have a vast wealth of natural resources, we have an accommodating climate, we have made huge capital investments in our farming system, we have the latest technology, and we can produce food rather cheaply, and we can feed a lot more people than just the 275 or 280 million people in this country.

Senator NELSON. Even with high land costs and everything factored in, both the variable and fixed costs.

Mr. PENN. Not in every commodity. We are not competitive in every commodity. In the mainstream staples—corn, soybeans, and some of the other major crops—we are very competitive, and we can be very competitive, and that is why it does pain me a bit to see us reduce our own competitiveness. I mean, we have enough other problems with relative currency values and demand and growth in other markets. I think if there is one thing that is going to influence the overall economic vitality and viability of our industry, it is going to be continued access, expanding access, to these foreign markets.

Senator NELSON. Thank you.

The CHAIRMAN. Thank you very much, Senator.

We thank each one of you for your opening statements and for your forthcoming responses to our questions.

I just want to announce that I hope staff will inform all members that they may wish to ask further questions of the nominees, but please do so, if you will, by the end of business today. In the event questions are raised by committee members, please respond as rapidly as possible. Then I will count on staff to inform me when it is useful that we might have a meeting of Senators, perhaps off the floor, in the event we do not have another meeting, and we do not have one scheduled for this week, in which we would come together, in which we might take action on the nominees and try to make certain our Department is better staffed—namely, the three of you, in addition to the Secretary.

We will ask all Senators to cooperate with the questions and you to cooperate with the responses and attempt to resolve the issue of your confirmation as rapidly as possible, and leave that then to floor action for final confirmation.

The CHAIRMAN. We thank you all. The hearing is adjourned.

[Whereupon, at 11:02 a.m., the committee was adjourned.]

APPENDIX

MAY 9, 2001

Statement of Senator Pete V. Domenici
Nomination of Lou Gallegos to Serve as
Assistant Secretary of Agriculture for Administration
May 9, 2001

Thank you, Mr. Chairman, and distinguished members of the committee. I am honored to appear before you today to introduce my friend, Lou Gallegos of New Mexico, and to recommend his confirmation to serve as Assistant Secretary of Agriculture for Administration. Lou Gallegos will have a substantial portfolio at the Department, as he will be responsible for overseeing all of USDA's administrative activities, including human resources, civil rights, ethics, procurement, property management, small business, and outreach programs. However, Lou is more than well qualified to take on this integral position.

I am quite familiar with Lou's management talent, as he served as my Chief of Staff early in my Senate career. Lou has also demonstrated his fine leadership abilities in critical positions in both the federal government and the government of our home state of New Mexico. Lou's knowledge and familiarity with federal land policy and with the current issues facing our farmers comes from his service as Assistant Secretary for Policy, Management,

and Budget at the Department of Interior and as a State Director of USDA's Farmers Home Administration. Lou has experience with federal food and nutrition programs, as he served as Program Director of the Food Stamp Program. Lou's impressive career also includes his tenure as Secretary of New Mexico's Human Services Department, overseeing our state's welfare, food stamps, health care, and child support programs.

Finally, Lou has served the people of New Mexico as the Chief of Staff to Governor Gary Johnson, since he took office in 1994. Lou has brought organization and discipline to our state's government, and I am positive that he will bring the same to the Department of Agriculture. Mr. Chairman, I am honored to give my support to my friend, Lou Gallegos. I firmly believe that he will make an exemplary Assistant Secretary. Thank you very much.

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORRESTRY

STATEMENT OF MARY KIRTLEY WATERS

NOMINEE FOR ASSISTANT SECRETARY OF AGRICULTURE FOR CONGRESSIONAL RELATIONS

U.S. DEPARTMENT OF AGRICULTURE

MAY 9, 2001

Thank you Mr. Chairman, Senator Harkin and the distinguished members of the Committee. I am honored to appear before you as President Bush's nominee for Assistant Secretary of Agriculture for Congressional Relations. I am grateful to President Bush and Secretary Veneman for the trust they have placed in me by supporting my nomination for this position.

My background in food and agricultural issues is extensive, beginning with my upbringing. My father was a professor of livestock marketing at the University of Illinois and moved to Washington, D.C. to take a sabbatical with USDA.

More than twenty years ago, I had the distinct honor of working for my Congressman from Illinois, former USDA Secretary Ed Madigan. His knowledge and passion for agriculture was instrumental in my own professional decisions to pursue these interests.

I worked as director of the Agricultural Task Force of the Republican Research Committee when the 1981 Farm Bill was signed into law. The following year I went to work for Congressman Larry J. Hopkins of Kentucky and my agricultural experience took on a decidedly southern flavor. I worked on the No Net Cost Tobacco Act of 1983 and the 1985 Farm Bill for Congressman Hopkins while attending law school at night.

Upon graduation from law school in 1986, I left public service to work for ConAgra Foods, a diversified food company headquartered in Omaha, Nebraska. This experience helped me develop expertise on a wide range of agricultural issues, including commodity policy, trade, food safety and changes in industry structure. More importantly, I developed valuable working relationships with government, industry and consumer representatives who are integrally involved with agriculture issues and policymaking.

Throughout my career, I have very much enjoyed working with the Members and staff of this Committee. I again thank you for this opportunity to appear before you today. Please know that if confirmed by the Senate, it would be an honor to serve in this Administration.

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

STATEMENT OF LOU GALLEGOS,
NOMINEE FOR ASSISTANT SECRETARY FOR ADMINISTRATION,
U.S. DEPARTMENT OF AGRICULTURE
May 2001

Mr. Chairman, members of the Committee, I am honored and privileged to appear before you today. My name is Lou Gallegos, and I am the President's nominee for Assistant Secretary for Administration at the U.S. Department of Agriculture.

As you know, Departmental Administration supports the Secretary and the Department's agencies through central management and administrative policies, programs and services. Simply put, Departmental Administration's job is to help USDA accomplish its mission.

I am no stranger to agriculture or to the U.S. Department of Agriculture. My service in the Food and Nutrition Service during the expansion of the Food Stamp program and later as State Director of the Farmers Home Administration imbued me with an appreciation and understanding as to why it is more appropriate than ever for the U.S. Department of Agriculture to be called the "people's department."

But agriculture means more to me than public service alone. Agriculture is part of who I am. I am the descendant of sheepherders who subsequently became migrant farm workers in the asparagus fields of California, the potato fields of Colorado's San Luis Valley, and ultimately the sugar beet,

onion, tomato and melon fields of the Arkansas Valley. At 11 years of age, I was proud to be counted as one-half an employee for hourly wage purposes, which gained me $2.50 per day in earnings.

It is in that context that I grew up with agriculture - a hard row to hoe - but precisely why I am particularly grateful for your consideration today. For that 11-year old toiling in the fields to grow up to be Assistant Secretary of Agriculture is a vivid symbol of America's promise.

My pledge, if confirmed, is to discharge faithfully and diligently the duties and responsibilities of Assistant Secretary, in keeping with the finest tradition of the U.S. Department of Agriculture.

I am delighted at the prospect of working with you and Secretary Veneman in serving our diverse constituencies.

Thank you for your consideration.

PREPARED STATEMENT OF J. B. PENN, UNDER SECRETATY-DESIGNATE FOR FARM AND FOREIGN AGRICULTURAL SERVICES BEFORE THE U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
May 9, 2001

Thank you Mr. Chairman, Senator Harkin and Distinguished Members of this Committee.

It is a great honor to appear before you today as President Bush's nominee to be Under Secretary for Farm and Foreign Agricultural Services. I certainly appreciate the trust and confidence that the President and Secretary Veneman have shown in me.

I am both pleased and humbled to be here today. There are perhaps few times in our history when the agriculture and food industry have faced challenges quite as daunting, and from so many directions. Our industry today is grappling with assimilating a wide range of new and potentially very powerful technologies, ranging from biotechnology to e-commerce to precision agriculture. It also is confronting globalization and experiencing rapid restructuring in every single segment. And, at the same time, far-reaching new policies must be developed that will importantly influence the industry through this decade and likely well beyond.

Those policies include new agricultural legislation to replace the expiring FAIR Act in 2002, and that deliberation must address some very fundamental philosophical issues concerning the direction our modern farm sector should take in the 21st Century. Our window of opportunity for a successful, new multi-national round of trade negotiations could soon close, and we must quickly build upon the progress made in the historic Uruguay Round or lose the chance to do so for perhaps a decade or longer. And, major policy initiatives are underway to create a Free Trade Area of the Americas and also to expand trade with the important Asian region under APEC.

The next few years will prove extremely important in determining how successfully our industry will adjust to all these new forces, and how it will fare economically in the new century. I would be very pleased to have an opportunity to participate in this important process.

I come to the position from twenty years in the private sector, with much of that time closely monitoring and analyzing developments across the industry, and working with companies and organizations in all facets of the farm and food business. I also have been fortunate to have gained considerable direct experience in the international aspects of agriculture, both through work in many parts of the world and in analyzing trade flows and agreements.

And, before my private sector career, I served in government, both in USDA and on the staff of the President's Council of Economic Advisers. I hasten to add that much has changed in the interim, but suggest that the understanding gained during that time will prove very useful in this new endeavor.

My training is as an economist and my entire professional career has focused on the economics of the agriculture and food industry. Thus, it is from the primary perspective of an economist that I approach the position, rather than from a particular philosophical or political orientation. And, I also am proud to note my background includes having been raised on a small farm in Northeastern Arkansas.

I would highly value the opportunity to work with all the dedicated employees of USDA, especially those in the farm and foreign affairs mission area embracing the Foreign Agricultural Service, Farm Service Agency, and Risk Management Agency. In this capacity, I would welcome the chance to work to expand markets for our producers and effectively and efficiently implement agricultural policies and programs for farmers and all Americans.

And, if confirmed, I am committed to cooperate fully with this committee in helping to meet the unprecedented challenges facing American agriculture and the entire economy.

That concludes my statement. Thank you.

DOCUMENTS SUBMITTED FOR THE RECORD

MAY 9, 2001

May 8, 2001

Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On April 17, 2001, a copy of my SF 278, Executive Branch Public Financial Disclosure Report, required in connection with my nomination to serve as Assistant Secretary of Agriculture for Congressional Relations was submitted to the U.S. Office of Government Ethics. That report contained all required financial information for calendar year 2000 and for the current calendar year through April 17, 2001.

The Ethics in Government Act of 1978, as amended, also requires that I update certain of the information reported on the SF 278, i.e., that required by section 102(a)(1)(A) of the Act, respecting income (other than my federal salary and dividends, interest, rents, and capital gains) and honoraria, to a date which occurs not more than five days before the date of the hearing to be held by your Committee to consider my nomination. The hearing to be held on my nomination is scheduled for Wednesday, May 9, 2001. The purpose of this letter is to report that since I filed my Financial Disclosure Report, I accrued a total of $7,443 as a consultant to USDA between April 16 and today.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

Mary K Waters

Mary K. Waters
Nominee for Assistant Secretary of Agriculture
for Congressional Relations

cc: Hon. Amy Comstock, Director, US Office of Government Ethics
John Surina, USDA Designated Agency Ethics Officer

QUESTIONNAIRE FOR UNITED STATES DEPARTMENT OF AGRICULTURE NOMINEES
BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name,(include any former names used),and City and State where you currently reside.

   Mary Kirtley Waters (nee Mary Brice Kirtley), Arlington, VA

2. Date and place of birth.

   12/22/1958 Champaign, Illinois

3. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

   Married to Victor Alan Waters. Budget Analyst, Department of Justice, Immigration and Naturalization Service, 801 K St, NW, Suite 740,Washington, D.C. 20536

4. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

   University of Illinois, August 1977-May 1981, B.A. (5/81)

   George Mason University School of Law, August 1981-July 1985 J.D. (7/85)

5. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

   1981 Director, Agriculture Task Force, Republican Research Committee, U.S. House of Representatives. Worked with House and Senate Agriculture Committee staff members, USDA personnel and university faculty to research briefing materials for Members on processed agricultural exports and water supplies for agriculture.

   1982-1986 Legislative Assistant, Congressman Larry J. Hopkins (R-KY). Worked on the 1985 Farm Bill and the 1983 No Net Cost Tobacco Act.

   1986- present, ConAgra Foods, Washington Office, Senior Director and Legislative Counsel. Monitored regulatory and legislative

proposals. Developed and implemented strategies for the company alone or in a collaborative effort, to affect policies. Issue areas handled: commodity policy, food processing and labeling regulation, food safety, biotechnology, international trade, tax, labor and the environment. Covered the 1990 and 1996 Farm Bills.

6. Military Service: Have you had any military service?

No.

7. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

1981 House Republican Research Committee, U.S. House of Representatives (staff)

1982-1985 Congressman Larry J. Hopkins (R-KY)(staff)

8. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

None

9. Other Memberships: List all organizations to which you belong, excluding religious organizations.

Washington Agricultural Roundtable
Trade Policy Forum

10. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

None.

11. Health: What is the present state of your health?

Excellent.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   I submitted a resignation letter on April 13, 2001.

   Within 90 days of confirmation I will sell all ConAgra Foods shares that I own along with those of my immediate family.

   I will exercise and sell vested stock options within 90 days of confirmation.

   It will take about 30-45 days after my resignation to rollover my 401(k) to an outside brokerage. They will invest it in a widely diversified mutual fund and no further contributions will be made to this fund from ConAgra Foods.

   I am vested in an accrued (defined) benefit retirement plan with ConAgra Foods. This plan does not allow for a cash-out option. At age 55, I am entitled to a reduced annuity and, at age 65, to a full annuity. Neither ConAgra Foods nor I will make any further contributions to this plan.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   Within 90 days of confirmation I will use Wells Fargo brokerage to exercise vested options. I have:

   1500 at $15.4167
   1500 at $14.9375
   2000 at $12.6875
   2000 at $15.7500

   On 4/10 the closing price of ConAgra Foods was $19.49 This means the capital gain will be approximately $34,024.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch?

   No.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs?

   No.

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Rural Business-Cooperative Service, Rural Housing Service, the Rural Utilities Service or their predecessor agencies, the Farmers Home Administration, the Rural Development Administration, the Rural Housing and Cooperative Development Service or the Rural Electrification Administration?

   No.

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program?

   No.

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government?

   No.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service?

   No. I have clearly stated to ConAgra Foods that I do not intend to return.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service?

   No.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

    The ConAgra defined benefit plan discussed in Question 1.

11. Have you ever received a government guaranteed student loan? If so, has it been repaid?

    Yes, fully repaid.

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

    All ConAgra Foods relationships will be severed except for the

pension referred to in Question 1. I will submit a letter to the Director of the Office of Ethics at USDA stating that I will not participate personally or substantially in any particular matter that has a direct and predictable affect on my financial interest in ConAgra Foods, unless I first apply for a statutory waiver or qualify for an exemption.

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

Director

April 26, 2001

The Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510-6000

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Mary K. Waters, who has been nominated by President Bush for the position of Assistant Secretary for Congressional Relations, Department of Agriculture.

We have reviewed the report and have also obtained advice from the Department of Agriculture concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated April 17, 2001, from Ms. Waters to the Department's ethics official, outlining the steps which she will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of her confirmation date with the actions she agreed to take in her ethics agreement.

Based thereon, we believe that Ms. Waters is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Amy L. Comstock

Amy L. Comstock

Enclosures

SF278 (Rev. 03/2000)
5 C.F.R Part 2634
U.S. Office of Government Ethics

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved:
OMB No. 3209-0001

Date of Appointment, Candidacy, Election or Nomination (*Month, Day, Year*)	Reporting Status (*Check appropriate boxes*)	Incumbent	Calendar Year Covered by Report	New Entrant, Nominee, or Candidate [X]	Termination Filer [ ] / Termination Date (*If Applicable*) (*Month, Day, Year*)
Reporting Individual's Name	Last Name: Waters			First Name and Middle Initial: Mary K.	
Position for Which Filing	Title of Position: Assistant Secretary for Congressional Relations			Department or Agency (*If Applicable*): Agriculture	
Location of Present Office (or forwarding address)	Address (*Number, Street, City, State, and ZIP Code*): 1627 I Street, N.W. Suite 950, Washington, D.C. 20006			Telephone No. (*Include Area Code*): (202) 223-5115	
Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: none				
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Senate Committee on Agriculture, Nutrition and Forestry			Do You Intend to Create a Qualified Diversified Trust? [ ] Yes [X] No	
Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.	Signature of Reporting Individual: Mary K Waters			Date (*Month, Day, Year*): 4/17/2001	
Other Review (If desired by agency)	Signature of Other Reviewer:			Date (*Month, Day, Year*):	
Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below).	Signature of Designated Agency Ethics Official/Reviewing Official: John Jurinn			Date (*Month, Day, Year*): 4/17/2001	
Office of Government Ethics Use Only: EN 4/26/01	Signature: Amy L Comstock			Date (*Month, Day, Year*): 4/26/01	

Comments of Reviewing Officials (*If additional space is required, use the reverse side of this sheet*)

(*Check box if filing extension granted & indicate number of days* _____) [ ]

(*Check box if comments are continued on the reverse side*) [ ]

Fee for Late Filing

Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period shall be subject to a $200 fee.

Reporting Periods

Incumbents: The reporting period is the preceding calendar year except Part II of Schedule C and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable.

Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.

Nominees, New Entrants and Candidates for President and Vice President:

Schedule A--The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of the date of filing.

Schedule B--Not applicable.

Schedule C, Part I (Liabilities)--The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.

Schedule C, Part II (Agreements or Arrangements)-- Show any agreements or arrangements as of the date of filing.

Schedule D--The reporting period is the preceding **two** calendar years and the current calendar year up to the date of filing.

Agency Use Only

OGE Use Only
APR 17 2001

F278 (Rev. 03/2000)
C.F.R Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Mary K. Waters

SCHEDULE A

Page Number: 2

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1,000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than $1,000 (except report the actual acount of any honoraria over $200 of your spouse).

None ☐

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				X												X						X										
	Doe Jones & Smith, Hometown, State			X																												Law Partnership Income $120,000	
	Kempstone Equity Fund					X								X										X									
	IRA: Heartland 500 Index Fund							X						X											X								
1	ConAgra401(k)Retirement SavingsPlan - Vanguard Institutional Index Fund Pl; - Fidelity Asset Manager;				X									X							X												
				X										X							X												
2	- IDEX JCC Growth B41Series Fund; & - common shares of ConAgra (see schedule C part II)			X										X							X												
					X												X			X					X								
3	Shares of ConAgra Foods Stock (some held jointly with dependent children)				X												X					X											
4 S	Spectra Fund		X											X									X										
5 J	Fidelity Equity Income II		X											X									X										
6 J	Citibank CD		X																X		X												

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot be Used.

SF278 (Rev. 03/2000)
5 C.F.R Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Mary K. Waters

SCHEDULE A continued

(Use only if needed)

Page Number: 3

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

None ☐	Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1 J	Virginia Commerce CD		X																X		X												
2 J	Virginia Commerce CD		X																X			X											
3 J	Sun Trust CD		X																X			X											
4	Con Agra - Common Stock Options			X																													
5	Con Agra																															Salary- CY2000 +1st qtr CY01 $174,000	
6 J	Checking Account Virginia Commerce Bank Arlington, VA			X															X			X											
7	Con Agra Accrued Benefit Pension Plan (value not ascertainable) (see schedule C part II)	X																															
8																																	
9																																	

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

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Reporting Individual's Name: Mary K. Waters

SCHEDULE C

Page Number: 4

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None [x]

	Creditors (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (x): $10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples:	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.											
	John Jones, 123 J St., Washington, DC	Promissory note	1999	10 %	on demand			x								
1																
2																
3																
4																
5																

* This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: continuing participation in an employee benefit plan (e.g. 401k, deferred compensation; (2) continuation payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits

None [ ]

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example:	Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/83
1	I am in process of cashing-out my ConAgra 401(K) plan and roll it into an EIF Individual Retirement Account	myself & ConAgra	7/86
2	I have an accrued benefit plan from which I can begin to draw a reduced annuity at age 55 or a full annuity at age 65 The benefits are fixed as of the date of my departure and neither I nor ConAgra will make any	myself & ConAgra	7/86
3	further contributions to this plan after my resignation		
4	ConAgra Stock Options will be exercised within 90 days		
5			
6			

Prior Editions Cannot Be Used.

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U.S. Office of Government Ethics

Reporting Individual's Name: Mary K. Waters

SCHEDULE D

Page Number: 5

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization (*Name and Address*)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
1	ConAgra Foods, Washington, D.C.	Food company	Senior Director, Legislative Counsel	7/86	4/13/01
2					
3					
4					
5					
6					

Part II: Compensation In Excess Of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate

None ☐

	Source (*Name and Address*)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1	ConAgra Foods, Washington, D.C.	Government Affairs
2		
3		
4		
5		
6		

Prior Editions Cannot Be Used.

April 17, 2001

Mr. John C. Surina
Director
Office of Ethics
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Surina:

The purpose of this letter is to describe the steps that I intend to take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Assistant Secretary of Agriculture for Congressional Affairs.

As required by 18 U.S.C. §208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as an officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

On April 13, 2001 I resigned my position as Senior Director, Legislative Counsel with ConAgra Foods. Pursuant to 5 C.F.R. § 2635.502, for one year after my resignation, I will not participate in any particular matter involving specific parties in which ConAgra Foods is, or represents a party unless I am authorized to participate. I have accumulated a number of shares, and options for shares, of common stock in ConAgra Foods both individually and through the ConAgra Retirement Savings Plan (a 401(k) plan). The position of Assistant Secretary of Agriculture for Congressional Affairs is highly unlikely to engage personally and substantially in a particular matter that would have a direct and predictable effect on my financial interest in ConAgra Foods. Given the considerable market presence of ConAgra Foods in the agricultural industry, however, and due to my own sensitivity for public perceptions of persons holding public office, I have decided to divest all holdings I have individually or jointly with my dependent children in ConAgra within 90 days of my confirmation. I am in the process of cashing-out the ConAgra 401(k) in which I have participated and rolling those funds into a diversified fund. After appointment, I will liquidate the shares held and exercise the stock options I have with ConAgra Foods and immediately sell the shares purchased. Until my interests in ConAgra are fully divested, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on these entities, unless I first obtain a written waiver or qualify for a regulatory exemption.

I am vested in an accrued (defined) benefit retirement plan with ConAgra Foods. At age 55, I am entitled to a reduced annuity and, at age 65, to a full annuity. Neither ConAgra Foods nor I will make any further contributions to this plan. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of ConAgra Foods to provide this contractual benefit, unless I first obtain a written waiver or qualify for a regulatory exemption.

Sincerely,

Mary K Waters

Mary K. Waters
Designate for Assistant Secretary of
Agriculture for Congressional Affairs

May 8, 2001

Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On April 4, 2001, a copy of my SF 278, Executive Branch Public Financial Disclosure Report, required in connection with my nomination to serve as Assistant Secretary of Agriculture for Administration was submitted to the U.S. Office of Government Ethics. That report contained all required financial information for calendar year 2000 and for the current calendar year through April 4, 2001.

The Ethics in Government Act of 1978, as amended, also requires that I update certain of the information reported on the SF 278, i.e., that required by section 102(a)(1)(A) of the Act, respecting income (other than my federal salary and dividends, interest, rents, and capital gains) and honoraria, to a date which occurs not more than five days before the date of the hearing to be held by your Committee to consider my nomination. The hearing to be held on my nomination is scheduled for Wednesday, May 9, 2001. The purpose of this letter is to report that since I filed my Financial Disclosure Report on April 4, 2001, I received $6,649.92 in salary payments from the State of New Mexico for the period of April 4 through April 22, and accrued a total of $5,254 as a consultant to USDA between April 23 and today.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

Lou Gallegos
Nominee for Assistant Secretary of Agriculture
for Administration

cc: Hon. Amy Comstock, Director, US Office of Government Ethics
John Surina, USDA Designated Agency Ethics Officer

May 8, 2001

Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

It has come to my attention that there is a typographical error on page two, Schedule A, Assets and Income, of my SF 278, Executive Branch Public Financial Disclosure Report, dated April 4, 2001. On line 1 pertaining to my employment with the Office of the Governor of New Mexico, my salary should be shown as $86,448.

Also, because of a misunderstanding of the reporting rules, I inadvertently omitted from Schedule A a report of capital gains in the category of amount of $50,001 - $100,000 from the sale of nine acres of land in New Mexico. The agreement to sale occurred in 1999, prior to the reporting period for Schedule A; however, I did not receive payment until the first week of January, 2000.

I am forwarding copies of this letter to the USDA Designated Agency Ethics Officer and the Director of the U.S. Office of Government Ethics so that they can supplement my SF 278 with this information.

Sincerely,

Lou Gallegos
Nominee for Assistant Secretary of Agriculture
for Administration

cc: Hon. Amy Comstock, Director, U.S. Office of Government Ethics
John Surina, USDA Designated Agency Ethics Officer

QUESTIONAIRE FOR UNITED STATES DEPARTMENT OF AGRICULTURE NOMINEES
BIOGRAPICAL INFORMATION (PUBLIC)

1. Full name, (include any former names used), and City and State where you currently reside.

   Lou Gallegos
   Louis H. Gallegos – Former name
   Rio Rancho, NM 87124

2. Date and place of birth.

   November 4, 1938
   Amalia, New Mexico

3. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

   Divorced

4. Education: List each college and graduate or professional school you have attended including dates of attendance, degrees received, and dates degrees were granted.

   Otero Junior College, 9/56 – 12/56
   Institute of Applied Sciences, 7/58 – 9/60 Certificate of Competency
   University of Maryland, 6/61 – 9/61
   New Mexico Highlands University, 1/75 – 11/76

5. Employment Record: List (by Year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

   Gallegos Farms, sole proprietorship since 1960, off and on.
   Raised alfalfa, produce, fruit and livestock.

   Acequia de Los Gonzales, community ditch association since 1961.
   Served as Mayordomo in managing the allocation and distribution of irrigation water.

   American G. I. Forum, 1967
   Trustee of the Pueblo, Colorado Chapter, and with other trustees oversaw the finances of the chapter.

MANA de Albuquerque, 1992
Chapter Secretary of National Mexican-American Womens' service organization.
Maintained records, published chapter newsletter.

Veterans of Foreign Wars, Rio Rancho Post 5890, 1994
Adjutant - Administrative officer for the organization

Gallegos-Nunez Associates, a partnership, 1991.
Partner in a business development enterprise.

Gallegos-Nunez Associates, Inc., a real estate brokerage.
Served as vice-president and qualifying broker for the firm from 1992 through 1994

Southwestern Indian Polytechnic Institute Foundation (A Department of the Interior community two-year post-secondary school)
Served on its Foundation Board of Trustees.

American Diabetes Association, New Mexico
Member of Board of Directors 1987 – 1988

6. Military Service: Have you had any military service? If so, give particulars, including the date, branch of service, rank or rate, serial number and type of discharge received.

Active Military Service – United States Air Force, December 1956 through October 25, 1965
Honorably discharged as a Staff Sergeant
Service number 17480469

Navy Reserve – Petty Officer Third Class, Personnelman - 1966 to 1970

7. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

New Mexico State Highway Department	**1965**	**Appointed**
New Mexico State Employment Service	**1966**	**Appointed**
Consumer and Marketing Service – USDA	**1/67 – 1/68**	**Appointed GS-7**
Food & Nutrition Service – USDA	**2/68 – 3/75**	**Appointed GS-14**
U. S. Senate, Pete V. Domenici	**1/77 – 2/84**	**Appointed AA**
Farmers Home Administration – USDA	**8/85 – 12/86**	**Appointed GS-15**
Cabinet Secretary, Human Services Dept. NM	**1/87 – 12/88**	**Appointed**
Special Assistant to the Secretary, DOI	**2/89 – 11/90**	**Appointed**
Assistant Secretary for Policy, Mgmt & Budget, DOI	**5/89 – 11/90**	**Appointed**
Chief of Staff, Office of the Governor NM	**1/95 – present**	**Appointed**

8. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

Distinguished Public Service Award - USDA
Certificate of Merit - USDA
National IMAGE President's Award
1999 Martin Luther King Jr. Freedom Award
Governor's Distinguished Public Service Award
Order of Civil Merit, Commission Rank, King Juan Carlos of Spain

9. Other Memberships: List all organizations to which you belong, excluding religious organizations.

Currently a life member of Post 5890, Veterans of Foreign Wars, Rio Rancho, NM

10. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that you may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you have made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

None

11. Health: What is the present state of your health?

Diabetic since 1980
Last annual physical 3/01 - excellent health

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associates, and/or organizations?

   Yes

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   State of New Mexico Deferred Compensation Account (a TSP equivalent administered by ING and Aetna).
   Amount is $55,102.73 as of 03/19/01

   State of New Mexico (Defined Benefit Pension) value not readily ascertainable, future benefits expected on or about 12/02.

   Eastern New Mexico Rural Telecommunications Co-op, annual rebate from the Capital Credit Fund, approximately $350.00 at beginning of calendar year.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.

   No

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

   No

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Rural Business-Cooperative Service, Rural Housing Service, the Rural Utilities Service or their predecessor agencies, the Farmers Home Administration, the Rural Development Administration, the Rural Housing and Cooperative Development Service or the Rural Electrification Administration? (If yes, give details of any such loan activity during the past 5 years.)

   None

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

   No

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If yes, explain.)

   No

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

   No

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

   No

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

    None

11. Have you ever received a government guaranteed student loan. (If so, has it been repaid?)

    No

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

    In the rare or unusual circumstance in which a conflict arises between the United States Department of Agriculture and the State of New Mexico, I believe it would be appropriate to recuse myself from any involvement whatsoever in such a matter.

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

April 27, 2001

The Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, DC 20510-6000

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Lou Gallegos, who has been nominated by President Bush for the position of Assistant Secretary for Administration, Department of Agriculture.

We have reviewed the report and have also obtained advice from the Department of Agriculture concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated April 4, 2001, from Mr. Gallegos, to the Department ethics official, outlining the steps Mr. Gallegos will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of his confirmation date with the actions he agreed to take.

Based thereon, we believe that Mr. Gallegos is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Amy L. Comstock
Director

Enclosures

SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved:
OMB No. 3209 - 0001

Date of Appointment, Candidacy, Election, or Nomination *(Month, Day, Year)*	**Reporting Status** (Check Appropriate Boxes)	Incumbent ☐	Calendar Year Covered by Report	New Entrant, Nominee, or Candidate ☑	Termination Filer ☐ Termination Date *(If Applicable) (Month, Day, Year)*
Reporting Individual's Name	Last Name: Gallegos			First Name and Middle Initial: Lou	
Position for Which Filing	Title of Position: Ass't Secretary for Administration			Department or Agency *(If Applicable)*: USDA	
Location of Present Office (or forwarding address)	Address *(Number, Street, City, State, and ZIP Code)*: State Capitol Building, Santa Fe, New Mexico 87503			Telephone No. *(Include Area Code)*: 505-827-3020	
Position(s) Held with the Federal Government During the Preceding 12 Months *(If Not Same as Above)*	Title of Position(s) and Date(s) Held				
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Committee on Agriculture, Nutrition & Forestry			Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☑ No	
Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.	Signature of Reporting Individual: Lou Gallegos			Date *(Month, Day, Year)*: 04/04/01	
Other Review (If desired by agency)	Signature of Other Reviewer			Date *(Month, Day, Year)*	
Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below).	Signature of Designated Agency Ethics Official/ Reviewing Official: John Zwick			Date *(Month, Day, Year)*: 04/05/01	
Office of Government Ethics Use Only	Signature: Gary L. Corcoran			Date *(Month, Day, Year)*: 4/27/01	

Comments of Reviewing Officials *(If additional space is required, use the reverse side of this sheet)*

(Check box if filing extension granted & indicate number of days _____) ☐

(Check box if comments are continued on the reverse side) ☐

Fee for Late Filing
Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period, shall be subject to a $200 fee.

Reporting Periods

Incumbents: The reporting peroid is the preceding calendar year except Part II of Schedule C and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable.

Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.

Nominees, New Entrants and Candidates for President and Vice President:

Schedule A -- The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of date of filing.

Schedule B -- Not applicable.

Schedule C, Part I (Liabilities)--The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.

Schedule C, Part II (Agreements or Arrangements)--Show any agreements or arrangements as of the date of filing.

Schedule D -- The reporting period is the preceding twocalendar years and the current calendar year up to the date of filing.

Agency Use Only

OGE Use Only

APR - 5 2001

Supersedes Prior Editions, Which Cannot Be Used.

278-113

NSN 7540-01-070-8444
OGE/PureEdge, version 1.0 (2000)

SF 278 (Rev 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: Gallegos, Lou

SCHEDULE A

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1,000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than $1,000 (except report the actual amount of any honoraria over $200 of your spouse).

None ☐

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				X												X						X										
	Doe Jones & Smith, Hometown, State			X																												Law Partnership Income: $130,000	
	Kempstone Equity Fund					X								X										X									
	IRA: Heartland 500 Index Fund							X						X											X								
1	Chief of Staff, Office of the Governor, NM (Salary $86,4488 pa) Santa Fe, NM																															Salary cy 00 and cy 01 to date 112,435	
2	State of New Mexico Deferred Comp Account (a TSP equiv administered by ING & Aetna)				✓									✓								✓										State of NM stable value option	
3	State of New Mexico - (Defined Benefit Pension - value not readily ascertainable)																															See Sched C Part II	
4	Eastern New Mexico Rural Telecommunications Co-op	✓															✓					✓										Rebate from the Capital Credit Fund	
5																																	
6																																	

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

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Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

Reporting Individual's Name: Gallegos, Lou

SCHEDULE B

Page Number: 3 / 5

Part I: Transactions

Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss.

Do not report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

None ☐

	Identification of Assets	Transaction Type (x): Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	Amount of Transaction (x): $1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Certificate of divestiture
Example	Central Airlines Common	X			2/1/99			X									
1																	
2																	
3																	
4																	
5																	

*This category applies only if the underlying asset is solely that of the filer's spouse or dependent children. If the underlying asset is either held by the filer or jointly held by the filer with the spouse or dependent children, use the other higher categories of value, as appropriate.

Part II: Gifts, Reimbursements, and Travel Expenses

For you, your spouse and dependent children, report the source, a brief description, and the value of: (1) gifts (such as tangible items, transportation, lodging, food, or entertainment) received from one source totaling more than $260, and (2) travel-related cash reimbursements received from one source totaling more than $260. For conflicts analysis, it is helpful to indicate a basis for receipt, such as personal friend, agency approval under 5 U.S.C. § 4111 or other statutory authority, etc. For travel-related gifts and reimbursements, include travel itinerary, dates, and the nature of expenses provided. **Exclude** anything given to you by the U.S. Government; given to your agency in connection with official travel; received from relatives; received by your spouse or dependent child totally independent of their relationship to you; or provided as personal hospitality at the donor's residence. Also, for purposes of aggregating gifts to determine the total value from one source, exclude items worth $104 or less. See instructions for other exclusions.

None ☐

	Source (Name and Address)	Brief Description	Value
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 6/15/99 (personal activity unrelated to duty)	$500
	Frank Jones, San Francisco, CA	Leather briefcase (personal friend)	$300
1			
2			
3			
4			
5			

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Reporting Individual's Name: Gallegos , Lou

SCHEDULE C

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at **any time** during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☑

	Creditors (*Name and Address*)	Type of Liability	Date incurred	Interest Rate	Term if applicable	$10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.			X								
	John Jones, 123 JSt., Washington, DC	Promissory note	1999	10%	on demand					X						
1						☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
2						☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
3						☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
4						☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
5						☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

* This category applies only if the underlying liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None ☐

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example	Pursuant to partnership agreement, will recieve lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1	State of New Mexico Defined Benefit Program - eligible to receive an annuity at age 62 and two months or may withdraw the contributions at any time	Public Employees Retirement Assoc. of New Mexico, P.O. Box 2123, Santa Fe, NM	01/95
2	State of New Mexico Deferred Compensation Account - Stable Value Option. Note: the State does not make matching contributions and I will not be able to contribute to it after I resign.	State of New Mexico - administered by a third party (ING & Aetna)	01/95
3			
4			
5			
6			

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Reporting Individual's Name	SCHEDULE D	Page Number
Gallegos , Lou		5 / 5

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo. Yr.)*	To *(Mo. Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
1	Gallegos-Nunez Associates, Inc Rio Rancho, NM	Formerly a real estate brokerage. (Currently inactive & real estate license is expired)	Vice President	01/92	Present
2	Southwest Indian PolyTechnical Institute Foundation - Albuquerque, NM	Foundation to support two-year community college	Trustee	07/96	Present
3	State of New Mexico	State Government	Chief of Staff to the Governor	01/95	Present
4					
5					
6					

Part II: Compensation in Excess of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☐

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1	State of New Mexico - Santa Fe, New Mexico	Chief of Staff to Governor Gary Johnson
2		
3		
4		
5		
6		

Prior Editions Cannot Be Used.

Mr. John Surina
Director
Office of Ethics
U.S. Department of Agriculture
Washington, D.C. 20250-0122

Dear Mr. Surina:

The purpose of this letter is to explain the steps which I intend to take, if confirmed to serve as the Assistant Secretary for Administration in order to avoid both any conflict of interest and any appearance thereof between my personal financial interests on the one hand and the duties I will perform if appointed on the other.

As reflected on my financial disclosure form at Schedule D, Part I, I currently am a Vice President with Gallegos-Nunez Associates Inc., a real estate brokerage company licensed to do business in the State of New Mexico. Gallegos-Nunez Associates Inc. currently exists in name only; it has not conducted business since December of 1994. If confirmed, I pledge that for the duration of my appointment as Assistant Secretary for Administration, Gallegos-Nunez Associates, Inc. will remain inactive and conduct no business. Additionally, other than to pay the nominal but necessary fee required in order to keep Gallegos-Nunez Associates in existence, I will take no actions on its behalf. Furthermore, I will not participate in any particular matter that will have a direct and predictable effect upon Gallegos-Nunez Associates, Inc.

I am a trustee of the Southwest Indian Polytechnic Institute Foundation. The Institute is an operation of the Department of Interior's Bureau of Indian Affairs and the Foundation raises funds for the Institute. If confirmed, I will resign my position as trustee and will disqualify myself for a period of one year from any particular matter involving specific parties in which the Institute is, or represents, a party.

If confirmed, I will resign my position with the State of New Mexico. Recognizing the covered relationship that I will have with my former employer, I will disqualify myself for a period of one year from any particular matter in which the State of New Mexico is, or represents, a party. Furthermore, I am vested in the Public Employees Retirement Association (PERA), a defined benefit program to which the state and each participating employee makes contributions. For the duration of my appointment, I will not participate in any particular matter that could affect the state's ability or willingness to fulfill its obligation to PERA and thus affect my future pension under that program.

Sincerely,

Lou Gallegos
Designee for Assistant Secretary for
Administration, USDA

May 8, 2001

Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On April 24, 2001, a copy of my SF 278, Executive Branch Public Financial Disclosure Report, required in connection with my nomination to serve as Under Secretary of Agriculture for Farm and Foreign Agricultural Services was submitted to the U.S. Office of Government Ethics. That report contained all required financial information for calendar year 2000 and for the current calendar year through April 24, 2001.

The Ethics in Government Act of 1978, as amended, also requires that I update certain of the information reported on the SF 278, i.e., that required by section 102(a)(1)(A) of the Act, respecting income (other than my federal salary and dividends, interest, rents, and capital gains) and honoraria, to a date which occurs not more than five days before the date of the hearing to be held by your Committee to consider my nomination. The hearing to be held on my nomination is scheduled for Wednesday, May 9, 2001. The purpose of this letter is to report that since I filed my Financial Disclosure Report, I accrued a total of $4,816 as a consultant to USDA between April 24 and today.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

J.B. Penn
Nominee for Under Secretary of Agriculture
for Farm and Foreign Agricultural Services

cc: Hon. Amy Comstock, Director, US Office of Government Ethics
John Surina, USDA Designated Agency Ethics Officer

May 8, 2001

Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

It has come to my attention that there are two typographical errors on page six of my SF 278, Executive Branch Public Financial Disclosure Report dated April 24, 2001. First, on line 34 pertaining to Pyramid Fund, L.P., I omitted checking the income type for "Interest." Second, on line 43, pertaining to a Sparks Companies 401(k) Neuberger and Berman Fund, I inadvertently checked two separate income categories – Excepted Investment Fund and Rents and Royalties. The latter category is incorrect and the check mark therein should be disregarded.

I am forwarding copies of this letter to the USDA Designated Agency Ethics Officer and the Director of the U.S. Office of Government Ethics so that they can supplement my SF 278 with this information.

Sincerely,

J.B. Penn
Nominee for Under Secretary of Agriculture
for Farm and Foreign Agricultural Services

cc: Hon. Amy Comstock, Director, U.S. Office of Government Ethics
John Surina, USDA Designated Agency Ethics Officer

QUESTIONNAIRE FOR UNITED STATES DEPARTMENT OF AGRICULTURE NOMINEES
BIOGRAPHICAL INFORMATION (PUBLIC)

1. **Full name, (include any former names used), and City and State where you currently reside.**

J. B. Penn

McLean, VA 22101

2. **Date and place of birth.**

December 18, 1944
Lynn, Arkansas

3. **Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).**

Married
Kristin Jean Penn nee Rens
Director, New Business
Land O'Lakes, Inc.
International Division
1515 Wilson Boulevard
Arlington, VA

4. **Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.**

Arkansas State University	1961-1965	BS	1965
Louisiana State University	1965-1967	MS	1967
Purdue University	1969-1973	PhD	1973

5. **Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.**

Luxora Arkansas Public Schools	High School Teacher	1965

U.S. Department of Agriculture Economic Research Service	Research Economist	1967-1977
Executive Office of the President Council of Economic Advisers	Senior Staff Economist	1977-1978
U. S. Department of Agriculture Economics and Statistics Service	Deputy Administrator	1978-1981
Economic Perspectives, Inc.	President	1981-1988
Sparks Companies, Inc.	Senior Vice President	1988-2001

6. **Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.**

None

7. **Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.**

USDA-Economic Research Service	1967-1977 GS:9-14	Career
Executive Office of the President Council of Economic Advisers	1977-1978 NA	Excepted
USDA-Economics and Statistics Serv.	1978-1981 SES-	Career General

8. **Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.**

Named Distinguished Alumnus, Department of Agricultural Economics and Agribusiness, Louisiana State University, 1993

Named Distinguished Alumnus, College of Agriculture, Arkansas State University, 1996

Named Distinguished Alumnus, College of Agriculture, Purdue University, 2000

9. **Other Memberships: List all organizations to which you belong, excluding religious organizations.**

American Agricultural Economics Association
Southern Agricultural Economics Association (member)
International Agribusiness Management Association (member)

American Trust for Agriculture in Poland
Foundation for the Development of Polish Agriculture
Farm Foundation
Council for Food, Agricultural and Resource Economics

10. **Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.**

Ronald D. Knutson, J.B. Penn and B. L. Flinchbaugh, *Agricultural and Food Policy*, Prentice Hall, Inc. 1998 (4th edition)

Testimony to Senate Agriculture Committee, August 1999 (Presentation notes attached)

Contributor to *Food and Agriculture Policy Discussion Paper*, (Unpublished), Dec. 2000 (copy attached)

Numerous oral presentations during past five years - focused on industry and market trends and outlook or special topics such as biotechnology, e-commerce, etc.

11. **Health: What is the present state of your health?**

Good.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. **Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?**

   Yes. Upon confirmation.

2. **List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.**

   None

3. **Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)**

   Own with spouse 283.5 acres of undeveloped land in Lawrence County Arkansas--produces no income.

4. **Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)**

   No.

5. **Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Rural Business-Cooperative Service, Rural Housing Service, the Rural Utilities Service or their predecessor agencies, the Farmers Home Administration, the Rural Development Administration, the Rural Housing and Cooperative Development Service or the Rural Electrification Administration? (If yes, give details of any such loan activity during the past 5 years.)**

   No.

6. **Have you, or any partnership or closely held corporation in which**

you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

No.

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

No.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

No.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

No.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

Pyramid Fund, L.P. (commodities trading fund) Being divested.

Officer positions (non-federal organizations)—to resign upon confirmation.

11. Have you ever received a government guaranteed student loan? If so, has it been repaid?

No.

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

Consult with USDA Office of Ethics for guidance.

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

May 2, 2001

The Honorable Richard G. Lugar
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510-6000

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by J. B. Penn, who has been nominated by President Bush for the position of Under Secretary for Farm and Foreign Agricultural Services, Department of Agriculture.

We have reviewed the report and have also obtained advice from the Department of Agriculture concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter dated April 24, 2001, from Dr. Penn to the Department's ethics official, outlining the steps which he will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of his confirmation date with the actions he agreed to take in his ethics agreement.

Based thereon, we believe that Dr. Penn is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Marilyn L. Glynn
General Counsel

Enclosures

APR 24 2001

John Surina
Designated Agency Ethics Official
U.S. Department of Agriculture
Washington, DC 20250-0122

Dear Mr. Surina:

The purpose of this letter is to describe the steps that I intend to take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Under Secretary of Agriculture for Farm and Foreign Agricultural Services, U.S. Department of Agriculture. Holding the position of the Under Secretary of Agriculture for Farm and Foreign Agricultural Services also generally entails a membership on the Board of Directors of the Commodity Credit Corporation (CCC). The steps below take into account any potential conflicts or appearance thereof associated with that CCC position also.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208 (b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

In order to avoid potential conflicts of interest under section 208, I agree to divest my holdings in The Pyramid Fund, L.P., within 90 days of my confirmation. The Pyramid Fund, L.P. is a Tennessee Limited Partnership, organized to engage in the speculative trading of agricultural commodities futures contracts (i.e., corn, oats, wheat soybeans, soybean oil, livestock, pork bellies, etc.). Until this divestiture has been completed, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on this entity, unless I first obtain a written waiver or qualify for a regulatory exemption. Furthermore, pursuant to 5 C.F.R. § 2635.502, for one year after I divest my holdings in The Pyramid Fund, L.P., I will not participate in any particular matter involving specific parties in which the partnership is, or represents, a party, unless I am authorized to do so.

Upon confirmation, I will resign my position as Senior Vice President of Sparks Companies, Inc. (Sparks). Pursuant to 5 C.F.R. § 2635.502, for one year after I terminate my position with Sparks I will not participate in any particular matter involving specific parties in which Sparks is, or represents a party, unless I am authorized to participate. Additionally, pursuant to 5 C.F.R. § 2635.502, I understand that for a period of one year after the termination of my consulting relationships involving clients of Sparks, that I may not participate in any particular matter in which any one of my former clients is a party or represents a party, unless I am authorized to participate.

Upon confirmation, I will resign my positions on the board of directors of the following non-profit organizations: American Trust for Agriculture in Poland; Council on Food, Agriculture and Resource Economics; Farm Foundation; and Foundation for the Development of Polish Agriculture. My tenure on the board of directors of the American Agricultural Economics Association ended in August of 2000. Pursuant to 5 C.F.R. § 2635.502, for a period of one year after the termination of these positions, I will not participate in any particular matter involving specific parties in which any one of these organizations is, or represents a party, unless I am authorized to participate.

My spouse is a salaried employee of Land O'Lakes, Inc., from which she receives a fixed annual salary. Pursuant to 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that would have a direct and predictable effect on her salary or on her continued employment with Land O'Lakes, Inc., unless I first obtain a waiver or qualify for a regulatory exemption. Moreover, in accordance with 5 C.F.R. § 2635.502, I will not participate in any particular matter in which Land O'Lakes, Inc., is a party or represents a party, unless I am authorized to participate.

Sincerely,

J. B. Penn, Ph.D.

SF 278 (Rev. 03/2000)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved:
OMB No. 3209 - 0001

Date of Appointment, Candidacy, Election, or Nomination *(Month, Day, Year)*	**Reporting Status** (Check Appropriate Boxes)	Incumbent ☐	Calendar Year Covered by Report	New Entrant, Nominee, or Candidate ☑	Termination Filer ☐ Termination Date *(If Applicable) (Month, Day, Year)*
Reporting Individual's Name	Last Name: Penn			First Name and Middle Initial: J.B.	
Position for Which Filing	Title of Position: Under Secretary of Agriculture for Farm and Foreign Agricultural Services			Department or Agency *(If Applicable)*: USDA	
Location of Present Office (or forwarding address)	Address *(Number, Street, City, State, and ZIP Code)*: Sparks Companies, Inc., 6862 Elm St., Suite 350 McLean, VA 22101			Telephone No. *(Include Area Code)*: (703) 734-8787	
Position(s) Held with the Federal Government During the Preceding 12 Months *(If Not Same as Above)*	Title of Position(s) and Date(s) Held: None				
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Agriculture, Nutrition and Forestry			Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☑ No	
Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge.	Signature of Reporting Individual: J B Penn			Date *(Month, Day, Year)*: 4/24/01	
Other Review (If desired by agency)	Signature of Other Reviewer:			Date *(Month, Day, Year)*:	
Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the box below).	Signature of Designated Agency Ethics Official/ Reviewing Official: John Jarina			Date *(Month, Day, Year)*: 4/24/01	
Office of Government Ethics Use Only 5/2/01	Signature: Marilyn L. Glynn			Date *(Month, Day, Year)*: 5/2/01	

Comments of Reviewing Officials *(If additional space is required, use the reverse side of this sheet)*

(Check box if filing extension granted & indicate number of days _____) ☐

(Check box if comments are continued on the reverse side) ☐

Fee for Late Filing
Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period, shall be subject to a $200 fee.

Reporting Periods
Incumbents: The reporting peroid is the preceding calendar year except Part II of Schedule C and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable.

Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.

Nominees, New Entrants and Candidates for President and Vice President:

Schedule A -- The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of date of filing.

Schedule B -- Not applicable.

Schedule C, Part I (Liabilities)--The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.

Schedule C, Part II (Agreements or Arrangements)--Show any agreements or arrangements as of the date of filing.

Schedule D -- The reporting period is the preceding **two** calendar years and the current calendar year up to the date of filing.

Agency Use Only

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APR 25 2001

F 278 (Rev. 03/2000)
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U.S. Office of Government Ethics

Reporting Individual's Name: Benn, J.B.

SCHEDULE A

Page Number: 2 / 20

Assets and Income — BLOCK A

For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding $1,000 at the close of the reporting period, or which generated more than $200 in income during the reporting period, together with such income.

For yourself, also report the source and actual amount of earned income exceeding $200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than $1,000 (except report the actual amount of any honoraria over $200 of your spouse).

None ☐

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples: Central Airlines Common				X												X						X										
Examples: Doe Jones & Smith, Hometown, State			X																												Law Partnership Income $130,000	
Examples: Kempstone Equity Fund					X								X										X									
Examples: IRA: Heartland 500 Index Fund							X						X											X								
Office Condominium, 6708 Whittier Ave., McLean, VA (total interest-1/4 - sold Nov. 2000)	✓																✓		✓					✓		✓						
Office Condominium, 6708 Whittier Ave., McLean, VA (total interest - 1/4 - sold Dec. 2000)	✓																✓		✓					✓	✓							
203.5 acres undeveloped land in Lawrence County, near Lynn, Arkansas (solely owned)					✓															✓												
Cash/money account, First Union Bank, McLean, VA					✓													✓			✓											
Merrill Lynch CBA Account (self)				✓														✓				✓										
Merrill Lynch CBA Account (joint)				✓														✓				✓										

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot Be Used.

F 278 (Rev. 03/2000)
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U.S. Office of Government Ethics

Reporting Individual's Name: Fenn, J.B.

SCHEDULE A continued
(Use only if needed)

Page Number: 3 / 20

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Ariba, Inc.		✓																		✓												
AOL-Time Warner, Inc.			✓																	✓												
FedEx Corp.		✓																		✓												
The Home Depot, Inc.			✓													✓			✓	✓				✓								
JDS Uniphase Corp.		✓																		✓												
Microsoft Corp.			✓																	✓												
Network Appliance, Inc.		✓																		✓												
Nokia Corp.			✓													✓					✓											
Pfizer, Inc.			✓													✓					✓											

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot Be Used.

k (Rev. 03/2000)
R Part 2634
Office of Governmental Ethics

:porting Individual's Name
n, J.B.

SCHEDULE A continued
(Use only if needed)

Page Number
4 / 20

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

	Valuation of Assets															Type			Amount												
	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Dividends	Rent and Royalties	Interest	Capital Gains	None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
QUALCOMM, Inc.		✓																		✓												
WorldCom, Inc.		✓																	✓				✓									
Merrill Lynch Dragon Fund		✓											✓			✓				✓												
AT&T Corp.		✓														✓				✓												
American Home Products Corp.		✓														✓				✓												
Applied Material, Inc.			✓																✓					✓							
CISCO Systems, Inc.		✓																	✓					✓							
3 General Electric				✓												✓						✓									
4 Intel Corp.			✓													✓				✓											

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Prior Editions Cannot Be Used.

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5 C.F.R. Part 2634
U.S. Office of Government Ethics

Reporting Individual's Name: enn, J.B.

SCHEDULE A continued
(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

#	Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rents and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
5	LSI Logic, Corp.		✓																		✓												
6	Lucent Technologies, Inc.		✓														✓				✓												
7	Qwest Comm. Int'l., Inc.			✓													✓					✓											
8	Sykes Enterprises, Inc.		✓																		✓												
9	Sun Microsystems, Inc.			✓																	✓												
10	Vitesse Semiconductor Corp.		✓																		✓												
11	Wal-Mart Stores, Inc.			✓													✓				✓												
32	Xerox Corp.		✓														✓					✓											
33	Defined Asset Funds: Defined Technology Portfolio 2001 Series A		✓											✓			✓					✓											

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

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SCHEDULE A continued
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Assets and Income — BLOCK A

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

Assets and Income (Block A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Pyramid Fund, L.P., Memphis, TN (agricultural commodities futures)			✓																		✓											
IRA: AIM Charter Fund		✓											✓			✓			✓	✓			✓									
IRA: AIM Constellation Fund		✓											✓							✓												
IRA: Defined Asset Funds: Broadband Portfolio 2000 Series B		✓											✓							✓												
IRA: Defined Asset Funds: Defined Technology Portfolio 2000 Series C		✓											✓							✓												
IRA: Defined Asset Funds: Teleglobal Trust 2000 Series A		✓											✓							✓												
IRA: PIMCO Int'l Fund (Class C)		✓											✓							✓												
Sparks Companies, Inc. 401-K: JANUS 20 Fund				✓									✓							✓												
Sparks Companies, Inc. 401k Neuberger & Berman Fund: Partners Growth Stock Fund			✓										✓				✓				✓											

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Assets and Income — BLOCK A

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Sparks Companies, Inc. 401K: Vontobel U.S. Value Fund				✓									✓											✓								
Defined Asset Funds: Municipal Investment Trust	✓												✓						✓	✓												
Defined Asset Funds: Multistate Series - 41 Virginia Trust	✓												✓						✓	✓												
Land O'Lakes, Inc. - 401-K: T. Rowe Price: Mid-Cap Growth Fund (spouse)				✓									✓			✓					✓											
Sparks Companies, Inc. (salary & bonus -self)																															$358,214.	
Land O'Lakes, Inc., Arden Hills, MN (salary & bonus - spouse)																																
Dell Computer Corp.	✓																		✓					✓								
CVS Corp.	✓																		✓	✓												
Safeway Inc.	✓																		✓	✓												

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SCHEDULE A continued
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Assets and Income — BLOCK A

Valuation of Assets at close of reporting period. — BLOCK B

Income: type and amount. If "None (or less than $201)" is checked, no other entry is needed in Block C for that item. — BLOCK C

Assets and Income (BLOCK A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Nuveen Flagship Virginia Municipal Bond Fund Class A	✓												✓						✓	✓												
The Pepsi Bottling Group, Inc.	✓																			✓												
IRA: Defined Asset Funds: Defined Technology Portfolio 2001		✓											✓							✓												
Sun Trust Bank McLean, VA			✓															✓			✓											
Prentice Hall, Inc., residual royalties, all work done, asset value not ascertainable																	✓														$916.	
Merrill Lynch, Dow Select Ten 1999	✓												✓								✓											
Accutrade, Inc.	✓																	✓				✓										

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Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

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SCHEDULE B

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Part I: Transactions

None ☐

Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss.

Do not report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

	Identification of Assets	Transaction Type (x): Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	Amount of Transaction (x): $1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Certificate of divestiture
Example	Central Airlines Common	X			2/1/99			X									
1																	
2																	
3																	
4																	
5																	

* This category applies only if the underlying asset is solely that of the filer's spouse or dependent children. If the underlying asset is either held by the filer or jointly held by the filer with the spouse or dependent children, use the other higher categories of value, as appropriate.

Part II: Gifts, Reimbursements, and Travel Expenses

For you, your spouse and dependent children, report the source, a brief description, and the value of: (1) gifts (such as tangible items, transportation, lodging, food, or entertainment) received from one source totaling more than $260, and (2) travel-related cash reimbursements received from one source totaling more than $260. For conflicts analysis, it is helpful to indicate a basis for receipt, such as personal friend, agency approval under 5 U.S.C. § 4111 or other statutory authority, etc. For travel-related gifts and reimbursements, include travel itinerary, dates, and the nature of expenses provided. **Exclude** anything given to you by the U.S. Government; given to your agency in connection with official travel; received from relatives; received by your spouse or dependent child totally independent of their relationship to you; or provided as personal hospitality at the donor's residence. Also, for purposes of aggregating gifts to determine the total value from one source, exclude items worth $104 or less. See instructions for other exclusions.

None ☐

	Source (Name and Address)	Brief Description	Value
Example	Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 6/15/99 (personal activity unrelated to duty)	$500
	Frank Jones, San Francisco, CA	Leather briefcase (personal friend)	$300
1			
2			
3			
4			
5			

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SCHEDULE C

Part I: Liabilities

Report liabilities over $10,000 owed to any one creditor at **any time** during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☐

	Creditors (Name and Address)	Type of Liability	Date incurred	Interest Rate	Term if applicable	$10,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000
Examples	First District Bank, Washington, DC	Mortgage on rental property, Delaware	1991	8%	25 yrs.			X								
	John Jones, 123 JSt., Washington, DC	Promissory note	1999	10%	on demand					X						
1	SunTrust Bank (paid up on 11/00) Washington, D.C.	Mortgage: Office Condo (6708 Whittier Ave, McLean, VA)	1997	9 7/8%	5 yrs			✓								
2	SunTrust Bank (paid up on 12/00) Washington D.C.	Mortgage: Offie Condo (6708 Whittier Ave, McLean, VA)	1996	9 1/2%	5 years		✓									
3	Farm Credit Services of Central Arkansas Newport, AR	Mortgage: 283.5 acres undeveloped land in Lawrence County near Lynn, Arkansas	1997	6 1/2%	30 yrs				✓							
4																
5																

* This category applies only if the underlying liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None ☐

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example	Pursuant to partnership agreement, will recieve lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	7/85
1	Sparks 401-k: The Sparks Companies, Inc. will not contribute to this 401-K.	Sparks Companies, Inc., Memphis, TN (headquarters office)	10/85
2	To resign from position upon appointment to Federal position.	Sparks Companies, Inc. McLean, VA (location of employment)	
3			
4			
5			
6			

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Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/90
1	Sparks Companies, Inc., McLean, VA	Agriculture and commodity market research, analysis and consulting firm	Senior Vice-President	10/88	present
2	American Trust for Agriculture in Poland	Non-profit Educational Organization	Director	07/85	present
3	Foundation for the Development of Polish Agriculture	Non-profit Educational Organization	Director	01/88	present
4	American Agricultural Economics Association, Ames, Iowa	Professional Society	Director	08/97	8/00
5	Farm Foundation, Oak Brook, IL	Non-profit Educational Organization	Director	06/96	present
6	Council on Food, Agriculture and Resource Economics	Non-profit Organization	Director	01/96	present

Part II: Compensation in Excess of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☐

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1	Sparks Companies, Inc., Memphis, TN (Headquarters)	Manager of Sparks Companies, Inc. Washington office; supervise sale and deliver of client services; and participate as member of Company management team.
2	AgriBank, FCB Minneapolis, MN	Provided Industry and Market Outlook Reports, Industry Evaluation Studies, conferences, seminars, newsletters and other reports.
3	CoBank, ACB Denver, CO	Provided same services as in item 2 above.
4	American Soybean Association St. Louis, MO	Provided same services as in item 2 above.
5	Agriculture and Agri-Food Canada Ottawa, Ontario Canada	Provided same services as in item 2 above.
6	Agriculture and Livestock Industries Corp. Tokyo, Japan	Provided same services as in item 2 above.

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Part I: Positions Held Outside U.S. Government

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None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
7	N/A				
8	N/A				
9					
10					
11					
12					

Part II: Compensation in Excess of $5,000 Paid by One Source

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Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

None ☐

None	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
7	AWB, Ltd. Portland, OR	Provided same services as in item 2 above.
8	Equipment Manufacturers Institute Chicago, IL	Provided same services as in item 2 above.
9	European Union Commission Washington, DC	Provided same services as in item 2 above.
10	RaboBank International New York, NY	Provided same services as in item 2 above.
11	U.S. Grains Council Washington, DC	Provided same services as in item 2 above.
12	GROWMARK Bloomington, IL	Provided same services as in item 2 above.

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SCHEDULE D

Part I: Positions Held Outside U.S. Government

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None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
13	N/A				
14	N/A				
15					
16					
17					
18					

Part II: Compensation in Excess of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☐

None

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
13	American Farm Bureau Federation Chicago, IL	Provided Industry Evaluation Studies.
14	The Popcorn Institute Chicago, IL	Provided Industry Evaluation Studies.
15	Coalitions for a Competitive Food & Agriculture System Washington, DC	Provided Industry Evaluation Studies.
16	BFD Corp. Denver, CO	Provided Industry Evaluation Studies.
17	National Renderers Association Arlington, VA	Provided Industry Evaluation Studies.
18	Burge Corp. St. Louis, MO	Provided Industry Evaluation Studies.

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Part I: Positions Held Outside U.S. Government

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None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
19	N/A				
20	N/A				
21					
22					
23					
24					

Part II: Compensation in Excess of $5,000 Paid by One Source

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None ☐

None	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
19	Clemson University Clemson, SC	Provided Industry Evaluation Studies.
20	Farm Credit Corp. Regina, Saskatchewan Canada	Provided Industry Evaluation Studies.
21	John Hancock Mutual Life Ins. Company Boston, MA	Provided Industry Evaluation Studies.
22	Land O'Lakes, Inc. Arden Hills, MN	Provided Industry Evaluation Studies.
23	National Cotton Council Memphis, TN	Provided Industry Evaluation Studies.
24	Pioneer Hi-Bred International Des Moines, IA	Provided Industry Evaluation Studies.

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Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
25	N/A				
26	N/A				
27					
28					
29					
30					

Part II: Compensation in Excess of $5,000 Paid by One Source

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Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

None ☐

None	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
25	Cargill, Inc. Minneapolis, MN	Provided Industry Evaluation Studies.
26	Harris Bank Chicago, IL	Provided Industry Evaluation Studies.
27	A. E. Staley, Inc. Decatur, IL	Provided Industry Evaluation Studies.
28	Farmland Industries, Inc. Kansas City, MO	Provided Industry Evaluation Studies.
29	IBP, Inc. Dakota Dunes, SD	Provided Industry Evaluation Studies.
30	The Kroger Company Cincinnati, OH	Provided Industry Evaluation Studies.

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Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
31	N/A				
32	N/A				
33					
34					
35					
36					

Part II: Compensation in Excess of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☐

None

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
31	AgriPlace, Inc. Calgary, Alberta Canada	Provided Industry Evaluation Studies.
32	Dow AgroSciences, LLC Indianapolis, IN	Provided Industry Evaluation Studies.
33	Fritona Industries, Inc. Amarillo, TX	Provided Industry Evaluation Studies.
34	John Deere Special Technologies Group Moline, IL	Provided Industry Evaluation Studies.
35	Saskatchewan Wheat Pool Regina, Saskatchewan Canada	Provided Industry Evaluation Studies.
36	CNH Global Wake Forest, IL	Provided Industry Evaluation Studies.

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U.S. Office of Government Ethics

Reporting Individual's Name	SCHEDULE D	Page Number
Penn, J.B.		17 / 20

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

	Organization *(Name and Address)*	Type of Organization	Position Held	From *(Mo., Yr.)*	To *(Mo., Yr.)*
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
37	N/A				
38	N/A				
39					
40					
41					
42					

Part II: Compensation in Excess of $5,000 Paid by One Source

Report sources of more than $5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

Do not complete this part if you are an Incumbent, Termination Filer, or Vice Presidential or Presidential Candidate.

None ☐

None

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
37	Purina Mills, Inc. St. Louis, MO	Provided Industry Evaluation Studies.
38	AgFirst, FCS Columbia, SC	Provided Industry Evaluation Studies.
39	The Andersons, Inc. Maumee, OH	Provided Industry Evaluation Studies.
40	Japan External Trade Organization Chicago, IL	Provided Industry Evaluation Studies.
41	Nebraska Corn Board Lincoln, NE	Provided Industry Evaluation Studies.
42	USA Rice Arlington, VA	Provided Industry Evaluation Studies.

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Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
43	N/A				
44	N/A				
45					
46					
47					
48					

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	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
43	Japan International Agricultural Council Tokyo, Japan	Provided Industry and Market Outlook Reports, Industry Evaluation Studies, newsletters and other reports.
44	Alberta Agriculture Edmonton, Alberta Canada	Provided same services as in item 43 above.
45	DuPont Wilmington, DE	Presented conferences and seminars and provided newsletters and reports.
46	Union Pacific Omaha, NE	Provided same services as in item 45 above.
47	Philip Morris Companies Washington, DC	Provided same services as in item 45 above.
48	Australian Bureau of Agriculture and Resource Economics Canberra, ACT Australia	Provided Industry and Market Outlook Reports and Industry Evaluation Studies, and presented conferences and seminars.

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Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/90
49	N/A				
50	N/A				
51					
52					
53					
54					

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None ☐

None	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
49	The Scoular Company Omaha, NE	Provided Industry Evaluation Studies, newsletters and other reports and presented conferences and seminars.
50	Tudor Investments Greenwich, CT	Provided same services as in item 49 above.
51	Meat Livestock Australia New York, NY	Provided Industry and Market Outlook Reports.
52	Cummins Engine Corp. Columbus, IN	Provided Industry and Market Outlook Reports.
53	Monsanto Corp. St. Louis, MO	Provided Industry and Market Outlook Reports and Industry Evaluation Studies.
54	National Potato Board Denver, CO	Provided same services as in item 53 above.

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58					
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None ☐

None

	Source *(Name and Address)*	Brief Description of Duties
Examples	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (Client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
55	J. R. Simplot Company Boise, ID	Provided Industry Evaluation Studies, newsletters and other reports.
56	ConAgra, Inc. Omaha, NE	Provided same services as in item 55 above.
57		
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QUESTIONS AND ANSWERS

MAY 9, 2001

QUESTIONS SUBMITTED BY SENATOR HARKIN

To Mary Waters

Question: If confirmed as Assistant Secretary for Congressional Relations, you will be the top official at USDA working with Congress. The most important responsibility of the Assistant Secretary is to ensure that all Members of Congress are provided timely and responsive information and follow through.

What plans do you have to ensure that Congressional requests will be treated appropriately? I am also interested in what you will do to ensure that all offices on both sides of the aisle are informed about departmental decisions in an even-handed manner.

Answer: As a former House staffer I am very sensitive to the needs of Members of Congress to get responses to requests and information on departmental decisions in a timely manner. I am learning about the Department's system for responding to congressional mail and am eager to review it to see if greater efficiencies and speed can be incorporated. Many of the congressional inquiries are complex and fact specific and I understand that adequately responding to the concerns raised takes time. I would like to work with interested Senate offices on suggestions to improve this system.

I have compared notes on the timing of departmental decisions with other nominees for Congressional Relations. Concern about the timing of announcements is evident at several different agencies in addition to USDA. I am sensitive to these concerns and will welcome your suggestions and input on how we can make the announcement of decisions a smoother process.

Question: What are your plans regarding any specific policy on communications directly between Congressional offices and career staff for the purposes of obtaining necessary information and analysis, including program details and how programs are operating?

Will our offices continue to have what have generally been open lines of communication with USDA concerning information and programs that are very important to our constituents?

Answer: When I first met with many of the legislative affairs career staff I was pleasantly surprised to find that I had worked with them in previous positions. A hard working, knowledgeable workforce is a benefit to any organization. I anticipate

establishing a good working relationship with a good information flow going both ways. A coordinated system should enable the Department to respond quickly and knowledgeably to Congressional inquiries on important USDA programs.

QUESTIONS SUBMITTED BY SENATOR HARKIN

For Lou Gallegos

Question 1: The Assistant Secretary for Administration is in charge of the department's energy and environment program, the purpose of which is "improving energy efficiency and use of renewable energy sources at departmental facilities; increasing use of alternative fuels in our fleets; acquisition of environmentally preferable, biobased, and recycled products." Through this program USDA can set an example for other businesses, agencies, and individuals and simultaneously showcase important new developments in agriculture-based fuels and products.

What are your plans for carrying out the Department's energy and environment program?

How can the department also make it clear to other agencies and businesses that it is in their interest to follow suit by improving their own energy efficiency through the use of renewable and alternative energy, and environmentally preferable and bio-based products?

Answer: The Secretary and I believe that the Department has made, and will continue to make, significant progress in implementing these important programs that impact the American farm economy and achieve overall energy and environmental improvements. If confirmed, I propose to provide direct and strong leadership to ensure that the pattern of progress in these areas continues. For example, one of my first priorities will be to lead the Department in complying with President Bush's May 3 Memorandum on Energy Conservation at Federal Facilities. In the area of biofuels, particularly biodiesel and ethanol, USDA has set an example as a Federal leader by using these fuels in our fleet vehicles. If confirmed, I will direct the increased use of biobased products, including biofuels, within the Department, and emphasize outreach initiatives to expand this initiative to other Federal Departments and other organizations.

Question 2: the Assistant Secretary for Administration directs USDA's Office of Small and Disadvantaged Business utilization (OSDBU) as well as rural development business programs. One potential boon for rural communities is the continued development and promotion of alternative crop uses such as ethanol and other value-added agricultural products.

How will you focus the efforts of OSDBU and to what degree will alternative and value-added agriculture play a role?

Answer: I fully understand the nature of the challenge faced by the USDA's Office of Small and Disadvantaged Business Utilization (OSDBU). If confirmed, it is my intent to participate directly with OSDBU to elevate the profile of its mission and to support its efforts to establish partnerships for improving access to USDA programs to advance the sustainability and competitiveness of rural small businesses.

Question 3: USDA's Office of Outreach is also under the authority of the Assistant secretary for Administration. The department's declared target for each year beginning in 2001 is to "establish, in every agency, effective outreach programs that target under-served customers." These programs may apply to customers who fall under USDA civil rights policies, but they also apply to those who, for example, are in heavily rural areas or operate small farms or ranches and do not take part in USDA programs.

How do you intend to oversee these outreach programs and on what areas does USDA currently most need to focus?

Answer: My opinion, at present, is that USDA's Office of Outreach merits the strong support of the Assistant Secretary for Administration. Success by the Outreach office is best achieved by the timely coordination of and solid cooperation between mission area outreach activities to ensure that our outreach resources are utilized effectively. In light of recent class action lawsuits against USDA, the focus of the Outreach office should be the "2501" program that provides training and technical assistance to small and underserved farmers and ranchers. If confirmed, I will review and elevate coordination of outreach activities among all mission areas so that no rural community, no small farmer or rancher, is left behind for lack of knowledge or access to USDA programs.

QUESTIONS SUBMITTED BY SENATOR HARKIN FOR J.B. PENN

Question 1: According to your January 2001 policy analysis, the emergency farm assistance packages have exacerbated the economic problems in the U.S. farm sector. What would be the conditions of the sector if the assistance had not been given?

Answer: Over the past three years, Congress has provided over $25 billion in supplemental assistance to farmers. These payments accounted for about 3.6 percent of farmers' gross cash income and 15.5 percent of their net cash income over the period. If Congress had not provided this assistance, income clearly would have been lower and the balance sheet for the sector would have been less robost. Yet, some adjustment was precluded and overall production likely would have been somewhat lower with resulting higher commodity prices.

Question 2: If farmers had not received emergency assistance in 1998-2000 and, as you suggest, had reduced overall output, what do you believe they would have done with their land?

Answer: I do not believe much land would have gone out of production – only the most marginal, least productive would have gone out, and input use might have been reduced somewhat. In the short run, farmers would switch to more profitable crops as we have seen wheat acreage switch to oilseeds in the Northern Plains. In the longer run, higher cost producers may be forced to sell or lease their land to lower cost producers.

Question 3: World demand for crops has been expanding at a relatively constant rate, even during the Asian financial crisis. And it appears the recent slack in U.S. exports is due to the expanded production outside the United States. Since 1996, prices have dropped by nearly half. If low prices will limit production, how much lower do prices have to go to slow world production?

Answer: World grain area (wheat, coarse grains, and rice) has, in fact, responded to low prices, falling about 5 percent since the peak in 1996/97. But grain production in 2000/01 was about the same as in 1996/97 because good weather and improved technology keep boosting yields. Consumption has grown only slowly, so that stocks became burdensome for several years. World grain stocks have declined for two years now, and prices are beginning to strengthen. In contrast, oilseed area and production has expanded rapidly, led by increases in the U.S., Brazil, and Argentina. Despite large increases in consumption, world stocks have grown and prices remain under pressure. An additional factor is that the strong U.S. dollar has mitigated some of the price effect for our major competitors, such that the incentive to cut back area has been dampened.

Question: 4. I wrote Secretary Veneman and Secretary O'Neill last month expressing my concern about the apparent readiness of the U.S. to accede to a proposal in the OECD to scale back substantially our GSM export credit guarantee programs. The OECD proposal would

essentially eliminate the long-term GSM 103 program, cut roughly in half the time allowed for repayment of other GSM credit and increase premiums and fees for GSM credit guarantees.

The GSM export credit guarantee programs are a critically important part of our nation's efforts to facilitate agricultural exports. For fiscal 2000, the GSM programs supported $3.8 billion in export credit, but the actual federal outlays were only a fraction of that amount at $200 million. In addition, the U.S. spent about $200 million overall on the Market Access Program, the Foreign Market Development Program, the Export Enhancement Program and the Dairy Export Incentive Program.

By contrast, the EU alone spends about $6 billion a year on direct export subsidies, and foreign governments spend some $230 million a year on market promotion – not counting various other export subsidizing policies.

So I am very concerned that we not give up what is really our only export supporting program of any magnitude without getting concessions from the EU on export subsidies and from other countries on government trading enterprises.

What is your view of these negotiations and how the U.S. should respond to the proposals for curtailing our GSM export credit guarantee programs?

Answer: Senator Harkin, I understand your concerns and that of other members of Congress on this matter. I am aware there is support from sectors of U.S. agriculture who currently benefit from the GSM program for the U.S. position -- accepting the current proposal under discussion in the OECD. Clearly, this is a difficult issue, but I am confident that you and I share a common goal of assuring the Department has an array of tools it needs to expand markets for our producers.

Question 5: What is your view of the agricultural policy reform proposal tabled by the Clinton Administration in Geneva in June 2000 for the WTO agricultural negotiations?

Answer: I understand that this proposal has wide support from U.S. agriculture and bipartism backing in the Congress. I believe it is an excellent basis for moving forward in the WTO agricultural negotiations.

Question 5a: As Under Secretary, what will be the major topics you will raise when you sit down with your European counterparts for the first time?

Answer: If confirmed, I have many issues to raise with our European counterparts, but among the major topics will be biotechnology, the unjustified EU ban on imports of U.S. beef, the EU attack on U.S. food aid, and a comparison of our respective positions at the WTO negotiations.

Question 5b: How will you handle the issue of agricultural biotechnology in such a meeting?

Answer: Senator, one point that I believe should be stressed is that agricultural biotechnology holds immense potential benefits for farmers not just in the United States, but in Europe and the rest of the world as well. Another point I would emphasize is that there needs to be effective regulatory processes in place for the approval of new biotech products, but these processes should be based on science and not consumer perceptions. In this context, I would then address the specific issues that represent biotech-related barriers to U.S. agricultural exports to Europe.

Question: 6. Last week, we held a press conference to announce the introduction of bills in both the House and the Senate that would provide permanent authorization for the Global Food for Education program, as proposed by former Senators McGovern and Dole. What do you think of this program, and will you recommend to Secretary Veneman that she support the legislation?

Answer: Senator Harkin, the Department is currently carrying out the Global Food for Education (GFE) pilot program. I understand that once this pilot program is completed, it will be evaluated to determine if the program objectives were achieved and the feasibility of continuing such a program in the future.

Question 7: Some would say that agribusiness, livestock producers, integrators and export customers have been the primary beneficiaries of the current farm program because they purchase grain at prices below the full cost of production. What is your view on this point?

Answer: Lower commodity prices certainly benefit both domestic and foreign consumers. For processors, livestock producers, and integrators, lower input prices may increase profits in the short run, but in the long run, lower input costs are passed onto consumers in the form of lower output prices.

QUESTION SUBMITTED BY SENATOR LUGAR
FOR J.B. PENN

Question: I have become increasingly concerned about the U.S. sugar program. It is no longer the no-cost program its supporters claim; instead, last year it cost taxpayers $465 million. It no longer keeps supply and demand in balance; instead, the government now owns almost 800,000 tons of surplus sugar for which it is paying storage of $1.5 million a month. The program is hurting corn farmers by making it more difficult for our government to get Mexico to reduce its protectionist barriers to our high-fructose corn sweeteners. The sugar program is also costing good-paying manufacturing jobs. Candy companies are relocating their plants offshore because the sugar program forces them to pay double the world price for sugar and imports of cheaper foreign candy are taking a rising share of the U.S. market. Do you agree that the sugar program is fundamentally broken and needs radical reform?

Answer: The sugar program is certainly facing significant problems that indicate the need for reform. Resolution of these problems is complicated by the global aspects that must be considered. Any program changes must be WTO consistent, and no long-range policy planning can include accurate forecasts of domestic market impacts until the Mexican access issues are resolved. However, I am optimistic that we can work together in developing new legislation, programs, and policies that address the current problems.

Question: Changes made during the 1996 Farm Bill have improved the safety and soundness of the Farm Service Agency farm loan portfolio at USDA. Are additional changes in the law necessary to maintain the health of the program?

Answer: Mr. Chairman, I have no recommendations at this time. However, if I am confirmed, I will work closely with our Departmental staff and Congress in reviewing and analyzing potential changes to the law in preparation for the upcoming Farm Bill debates.

Question: The trend in the last decade has been to shift more resources from the direct loan program to the guaranteed loan program. Do you support this trend?

Answer: Over the past several years, obligations have been running at about 70 percent guaranteed loans and 30 percent direct loans. This is fairly consistent with the authorization levels in the 1996 Farm Bill and appears to be the proportion that meets most of the program demand. The status quo seems to be the best route at this time.

Question: As the average age of farmers approaches 65, do you support farm lending programs that help in the transition from the current generation of producers to young and beginning farmers?

Answer: I certainly support programs to help young and beginning farmers. FSA already has an extensive array of such programs as a result of provisions in the Agriculture Credit Improvement Act of 1992 and the 1996 Farm Bill. Since 1993, FSA has provided assistance totaling $3.5 billion to more than 45,000 beginning farmers and ranchers. I will be happy to discuss this issue with you and your staff to identify incentives to encourage more young and beginning farmers.

QUESTIONS SUBMITTED BY SENATOR DASCHLE FOR J.B. PENN

Question 1: You have been critical of the economic emergency packages Congress has passed in the last three years, writing that Congress took these actions "in a factual vacuum" and that the emergency assistance to farmers resulted in increased production, weakened world commodity prices, and erosion of the U.S. position in trade negotiations. Additionally, you have said that the combination of loan deficiency payments, AMTA payments, and ad hoc emergency payments have allowed "commercial farms (defined ad 8% of farms accounting for 72% of production) to continue to profit over the past three years and so have offset any market incentive to reduce production. I have long contended that the emergency payments should be targeted to smaller producers in order to help them weather the sustained periods of low prices and help "main street" businesses, agricultural lenders and many rural communities through the current economic crisis.

Would you agree that targeting the above referenced ad hoc payments to smaller farms, thereby significantly reducing the amount of funding that went to the largest, "commercial" farms, would have prevented the outcome you describe?

Answer: Targeting payments to smaller farms may reduce the incentive of larger farms, that would not longer receive payments, to expand production. However, limiting payments to the smaller farms would not ameliorate all problems. First, at times of financial stress in agriculture, there surely be farms in the "large farm" category that would be facing severe financial problems and would no longer be helped. Second, limiting payments to the smaller farms would still likely encourage added production on those farms, leading to some level of price decline. Third, targeting payments has a number of design difficulties. Some small farms have higher farm income that some large farms. Also, many small farms that do have low farm incomes have ample off-farm incomes. As a result, it is extremely difficult to design an equitable targeted program. Fourth, for most targeted programs, those farms that are excluded find a way over time to become eligible for the benefits. They restructure the operation as needed. Payment limits are an example.

Question 2: You have commented on the variations in economic efficiency of different sizes and types of farms, and the relatively small contribution to total national farm output made by what are often referred to as "family farms."

Do you believe the existence and operation of family farms contribute any other social or environmental benefits to the communities in which they are located, independent of their actual total production potential? (For the purposes of this question I would define "family farms" as those that are operated by producers who live on the farm or nearby, and have annual farm sales of at least $50,000 in one of the past three years, or total farm income, exclusive of government payments, of less than $50,000 per year.)

Answer: Family farms have an important place in our economy and in our society. Most farms, even most of the large farms, are family farms. Family farms are generally defined as those that

are operated principally with the labor of the members of a family (except for specialized farms that require hired labor for such critical tasks as harvesting) and the family makes the management decisions. Besides their contribution to the nation's food supply, which is quite important, family farms are good stewards of the land and provide the nation with various environmental benefits. They contribute to the rural communities all across America, paying taxes, supporting local businesses and creating jobs, supporting their churches, maintaining the local school system, and serving as community leaders. Family farmers are the fabric of rural communities all across this nation and are highly valued for these contributions by all Americans, including me.

Question 3: Should farm program benefits be targeted to: 1) active producers; or 2) relatively smaller farms (potentially excluding "hobby farms")?

Answer: Targeting payments based on the size of the farm presents a number of difficulties. Such targeting ignores the fact that size may have little to do with an individual farm's profitability. Nor do I believe that targeting payments by size is effective.

Question 4: Assuming farm program benefit payment caps could be enforced, should they be used? Why or why not?

Answer: Payment limitations have been found to be largely ineffective because they encourage restructuring and other ways to get around the limits.

Question 5: In a scenario in which the federal government was not making regular emergency farm payments, should producers for whom mandatory labor and environmental standards increase production costs be expected to compete with producers in countries that do not require comparable standards?

Answer: Senator Daschle, in an attempt to compensate for perceived competitive disadvantages, caution should be used in agreeing that subsidies or border protection increases are viable options because a country imposes certain standards on its agricultural producers. Farmers in the European Union, for example, could potentially receive even high government subsidies under such an approach.

Question 6: Should environmental and labor issues and standards be a part of our trade discussions with other countries?

Answer: Senator Daschle, agricultural trade agreements can potentially allow for governments to achieve a wide range of domestic objectives, including "non-trade concerns" such as environmental protection. However, government support for such objectives should be targeted and minimally distorting for production and trade.

Question 7: Is there any advantage for farmers and ranchers from the development of a carbon sequestration/carbon certificate trading program? Would this require a regulatory regime?

Answer: There would likely be an advantage for farmers and ranchers from a carbon trading program. U.S. agriculture is already helping to reduce the growth of greenhouse gas concentrations in the atmosphere, because agriculture is a net sink for carbon, that is, CO2 emissions are more than offset by carbon sequestered in plants and in the soil. In addition, there are many activities farmers could engage in that would increase carbon sequestration. If trading in carbon were to develop, CO2 emitters could purchase carbon reduction credits in the carbon market. If the market allowed farmers to trade, that would provide farmers an opportunity to undertake alternative management practices or produce alternative products that sequester carbon. The sequestered carbon could then be sold in the form of carbon reduction credits in the carbon market. The advantages to farmers would be increased revenue from the sale of the credits and environmental benefits from the increase in soil organic carbon. There could also be a cost to farmers if the market was the result of regulatory action that capped carbon emissions and increased the price of carbon. In that case, farmers could see their energy-based input costs increase.

A carbon market would not require a regulatory regime that capped emissions. Some emitters are already entering into agreements to sequester carbon, particularly in a number of foreign countries. However, the market would likely be somewhat thin without such a regime. Even with a voluntary trading program, there would need to be at least some type of standards for monitoring and verification to ensure that the carbon was in fact sequestered.

Question 8: You were quoted in the December/January 1999-2000 Wedge Co-op Newsletter as saying that you believe "much of our agricultural infrastructure – such as land grant institutions, the U.S. Department of Agriculture and University Extension – has fulfilled their purposes and are no longer needed since only a small percentage of our food is produced by the 1.7 million small farms that these institutions serve."

Does this remain your belief?

Answer: The U.S. agriculture sector has changed markedly over the years, evolving in response to the advent of many new technologies, changing economic and market conditions, rapidly shifting consumer demands, and a wide array of societal considerations and concerns. I have noted in the past that some of the institutions comprising the agricultural infrastructure that emerged over time to serve farmers and rural America have been slow to change even as their original objectives were fulfilled and new challenges appeared. Today, agricultural and rural America are far different than even just a decade ago and face important new challenges stemming from globalization and increased competition from a wide array of sources, adoption of new technologies, changing demographics and other factors. Yet, many of these new problems are slow to be addressed because of institutional rigidities, inadequate of resources, and lack of understanding of the new environment.

Question 9: You have said the one of the problems with farm policy has been that it has been "one size fits all." One solution you have offered to this problem is to help in " transition farms" by providing them assistance in entering "more viable endeavors."

It seems that Ag Extension could provide valuable resources and expertise to producers interested in such endeavors, (to include new methods of marketing, value-added enterprises, appropriate use of biotech, and non-food uses for farm commodities and on-farm resources such as biofuels). In South Dakota, Ag Extension, through South Dakota State University, has been extremely successful at monitoring the changing needs and interests of, and opportunities for, farmers, and tailoring their outreach appropriately.

Why do you favor eliminating this resource at a time when there is such a great need for new information and technical support, particularly in light of the fact that in some states they already are successfully meeting this challenge? How would you inform and foster the changes you describe in the absence of ag extension?

Answer: Some of the agricultural institutions are adapting to the changing times and providing services that are needed in the present environment, such as the SDSU Extension Service you cite. "Transition" farms do indeed require new and innovative kinds of assistance to permit their long-term viability. Taking advantage of value-enhanced products that may emerge from biotechnology (nutraceuticals, industrial products, pharmacological products, etc.), producing for niche markets, exploring new market opportunities resulting from renewable fuels and carbon sequestration, and adoption of new management and marketing techniques may provide alternatives to bulk commodity production in which cost economies result mostly from ever-larger size. My point was that most of farm policy and the programs and benefits still are focused on the larger farms producing bulk commodities while the biggest challenges may lie in assisting the medium size farms in becoming more economically sustainable over the longer term.

QUESTIONS SUBMITTED BY SENATOR PAT ROBERTS

For J. B. Penn

Question: The ARPA legislation has a requirement that FSA become more involved in the fraud, abuse, and compliance divisions of the crop insurance program. I know that some members of the House have strong feelings in this area, but I, former Senator Kerrey, and others only agreed to these provisions when we were assured that it would not result in an FSA "Army" taking over the crop insurance program. In addition, I have always felt that FSA is not the proper agency for administering this program, and I continue to believe this is true when I am constantly hearing from FSA employees that they are overburdened and understaffed.

Despite my concerns in this area, and the assurances we received last year, I know that USDA is in the process of training 2500 FSA employees to go out and investigate activities in the crop insurance program. I want to express to you my strongest opposition to the Department's continuation of this proposal. Is it your intent to carry on with the implementation of this plan that was originally proposed by the Clinton Administration, or do you intend to take another look at this issue and take a more reasonable approach? Let me urge you to take another look.

Answer: If confirmed, I will do my best to ensure that our agencies operate in the most efficient way possible. I will also work to ensure that the intent of the Agricultural Risk Protection Act of 2000 and other legislation governing our authority is implemented in a timely, effective and responsible manner. And, I will be pleased to have your views and guidance at any time.

Question: As a follow-up question, I have heard reports from some in the Department that FSA wants to be in charge of all acreage reporting for both FSA and RMA programs. As I read the bill, and as I remember it as one of the authors, the bill does require reconciliation of the data bases between FSA and RMA. This reconciliation can then be used to look into any discrepancies. However, it was the clear intention of Congress to maintain two separate bases. Do you intend to continue with two data bases, or do you intend to turn this function over to FSA?

Answer: If confirmed, I will look into this matter at the first opportunity. Once I have more information on the plans and programs, I will be pleased to discuss this with you and your staff.

Question: Another area in crop insurance involves the appointment of an RMA manager. I am fully supportive of you as Under Secretary and as Hunt Shipman as your deputy. I am well aware of your qualifications, and I and my staff have worked many times with Mr. Shipman. However, as you know, we all have regional interests and with great regional variations in agriculture, these regional issues often play a much larger role on the Committee than might occur on some others. We expect some regional representation in agriculture. Can you assure us that every effort will be made to appoint a qualified RMA manager with an understanding of the issues affecting many producers in the Plains and Midwest where crop insurance plays a major role in many producers' management decisions?

Answer: Yes. You can be assured that we will be searching for a person that is fully aware of the geographical variations in agriculture and is knowledgeable of the different crops and cultural practices associated with farming and ranching across the regions of the country. In addition, the Administrator of the Risk Management Agency must possess a keen understanding of the diverse risk management needs of farmers and ranchers in dealing with the ever-changing global economy.

Question: My last question involves the issue of trade and sanctions. The Senate recently set aside consideration of the Export Administration Act (EEA). When this bill came to the floor, we discovered that protections against embargoes and sanctions on agricultural products, that were in the original underlying law, had been removed from the proposed legislation at the request of the Bush Administration. Why was this request made, and does the Committee have the assurance that you will work with Secretary Veneman and the rest of the Administration to ensure that agricultural interests are represented on these issues in a forceful and vocal manner?

Answer: I have no first-hand knowledge of the Administration's intentions regarding the language in the Export Administration Act. However, you can be assured that, if confirmed, I will work closely with Secretary Veneman and other Departmental officials to ensure that agricultural interests are prominent and seriously considered in all interagency deliberations.

QUESTIONS SUBMITTED BY SENATOR COCHRAN
FOR J.B. PENN

Question 1: It is my understanding that the U.S. farm-raised catfish industry is being affected by the infiltration of Vietnamese catfish into retail markets. Are consumers informed that Vietnamese imitation catfish is being substituted for U.S. farm-raised catfish in the marketplace? If so, can you offer an explanation why a U.S. consumer may not be aware of the Vietnamese catfish substitute?

Answer: I am aware that the U.S. Food and Drug Administration (FDA) issued an import alert requiring that catfish from Vietnam be labeled with its common or usual name, not simply "catfish". I understand that FDA is aware of the firms involved in mislabeling instances and that they will be sending letters to the domestic firms that have been documented as advertising or marketing catfish from Vietnam as only "catfish". It appears that the FDA response was rapid and should be effective.

Question 2: Will the U.S. Department of Agriculture help solve the problems caused by the use of the word "catfish" when associated with other common names of imported fish? Will you clarify the use of the word "catfish" before the Administration sends legislation to Congress to approve and implement the trade agreement providing Permanent Normal Trade Relations with Vietnam?

Answer: I understand that through the interagency process, the FDA has kept the involved departments informed of the labeling problem. I would hope that the recent FDA import alert has been effective and will eliminate the need for further actions. However, as agencies become aware of mislabeling instances, I believe it would be appropriate to work with FDA to seek name modifications or other actions as might be permissible under FDA authority.

QUESTIONS SUBMITTED BY SENATOR DAYTON
FOR J.B. PENN

Question: You stated in one of your recent publications that farmers with $200,000 in gross annual sales or less are basically irrelevant to production. You characterized these farms, which make up the majority of all farms today, as "transition" farms. What did you mean by that? What do you perceive as these farms' role in the future?

Answer: The 1997 Census of Agriculture reveals three distinct groups of farms based on their annual gross sales and income earned off the farm. The smallest group is comprised of 157,000 of the largest farms that have over $250,000 a year in annual sales and have 26% of their income from non-farm sources. These are commercial farms that produce 72 percent of all food and fiber. The next group, 190,000 medium-size farms with annual gross sales between $100,000 and $250,000, accounts for 15 percent of agricultural output and earn 57% of their income from non-farm sources. The third groups, 1.57 million farms (82% of the total) have annual sales below $100,000, produce 13% of all output, and derive all of their net income from off the farm.

The large commercial farms are highly efficient and have low unit costs of production and are very skillful in marketing, thus have wider margins than other farms. The "transition" farms, by contrast, are not large enough to have achieved the economies that come from size and are not able to obtain prices as high as are the large farms. As a result, their margins are much smaller. They receive some benefits from the government programs but still are not likely economically sustainable over the long term. Their role in farming in the future may well depend upon finding new and innovative ways to better utilize their resources. New higher value products and new markets resulting from agricultural biotechnology as well as serving niche markets along with developing value-enhanced product opportunities may offer alternatives to bulk commodity production which requires ever-larger size production units for viability.

The farms with less than $100,000 in annual sales are highly diverse, reflecting a wide variety of circumstances, lifestyles and endeavors. Their economic well being over the long term is clearly more closely connected to the opportunities in the non-farm rural economy than it is to farm economics.

Question: Would you advocate measures to ensure that independent family farmers have a meaningful role and can remain independent, or do you believe we ought to move toward a model of predominantly contract farming?

Answer: I am most certainly an advocate for family farmers. The modern marketplace does present a dilemma, however. Farmers, on the one hand, have long sought ways to be more involved in the food system, to share more of the value added to their raw material as it moves through the food chain. Yet, this often requires movement away from bulk commodities, to producing products to specifications, ensuring quality control and more recently traceability, increasingly demanded by safety-conscious consumers everywhere. And, it often is in these value added areas where price premiums are available, enabling increased returns over commodity production. Thus, it appears to me that a delicate balance must be maintained to both

ensure farmers long-term financial viability and acceptable managerial independence at the same time.

Question: It's been my perception that smaller, independent family farmers tend to spend more and invest more in their local communities than corporations or larger producers. Do you agree?

Answer: I have not seen any studies that have examined that specific question. However, it is clear that farm consolidation over time has reduced the numbers of people in many rural areas and reduced the viability of many once thriving rural communities. Today, more and more emphasis is being given to how to revitalize rural America by focusing on development activities quite apart from agriculture. This recognizes that while farming still is very important, stimulating economic activity in other sectors may well create more jobs and provide more opportunities.

Question: What role do you think the USDA should have in regulating the segregation of GMO crops to allow for identity-preserved marketing?

Answer: Despite the recent setbacks in marketing GM products and in the continued criticism form some quarters, I remain convinced that the potential of agricultural biotechnology is tremendous. Not only have existing products been highly beneficial to farmers, but a whole array of new products offers enormous benefits to consumers in terms of improved nutrition, and treating and preventing diseases. Likewise, biotech products have the potential to make agriculture much more environmentally friendly, and to preserve and protect natural resources all around the world and especially in the developing countries.

There almost surely will be many new challenges as this new technology is more fully developed. And, USDA undoubtedly will have a major role to play, in a wide range of functions from resolving issues with our trading partners to providing inspection and regulatory services. In the meantime, I think it is important to let the industry and the marketplace sort out the issues related to identity preservation and segregation of grains and oilseeds to the extent possible before rushing forward with a government role.

Question: In Minnesota many of our farmers have begun to use their crops in the production of biomass and biofuels. What are your views on the innovative use of agricultural products and would you continue to support related programs in the USDA such as the Commodity Credit Corporations (CCC) Biofuels Program?

Answer: The development of new crops and new uses for existing crops is very beneficial for American agriculture. These requires, of course, continued research and development of such new products and finding new innovative uses for agricultural products. Programs such as the CCC Biofuels Program offer incentives to industrial users of agricultural feedstocks, which in turn increases the market opportunities for our farmers. Programs such as these also give the producers of new biobased products a chance to market their products competitively to gain

consumer acceptance.

Question: How would you rate the success or failure of the 1996 Freedom to Farm Bill?

Answer: The 1996 Farm Bill largely performed as it was designed to perform. Many of the essential features were quite successful. Planting flexibility and the termination of annual production control programs have been popular with farmers and have allowed resources to be used in their most efficient use. The production flexibility contract payments have provided income support with minimal distortion of production decisions by producers.

One area of concern has been the marketing assistance loan programs. While the loans and loan deficiency payments have provided important financial support, the loan rates have influenced production decisions, and in some cases, have encouraged added production of crops experiencing low prices.

The trade programs of the farm bill have also been generally effective. Section 416 (b) has proved to be a useful tool to move surplus production to needy countries. Although overall exports have declined in recent years, the decline is due more to weakness in the global macroeconomy, strong production overseas, and the high value of the dollar, rather than to the farm bill's trade provisions.

Question: What are your views on the emergency payments for farmers provided by Congress each of the past several years? Would you recommend that Congress provide additional emergency farmers for farmers this year?

Answer: Over the past three years, Congress has provided over $25 billion in supplemental assistance to farmers. These payments accounted for about 3.6 percent of farmers' gross cash income and 15.5 percent of their net cash income over the period. While the payments have been important factors in maintaining strong sector income, the payments have been distributed in a manner that has allowed many farms to earn record incomes. Thus, the payments may have prevented some of the market adjustment that would have likely occurred in their absence which may ultimately prolong the recovery to higher market prices. The payments have also led to criticism from other countries that our payments are inconsistent with our position in the World Trade Organization to strive to reduce trade-distorting domestic support world wide.

The Secretary has said in recent speeches that it perhaps is too early to make judgments about additional assistance for this year, that it is still very early in the season and we should wait to see how the crop progresses and how market conditions unfold before deciding.

Question: If you could design a farm policy, what would it be? What structural changes would you expect as a logical consequences of that policy?

Answer: A one-size-fits-all farm policy does not seem to me to be appropriate for a sector as widely diverse as the U.S. farm sector. If confirmed, I will work on part of the policy team at USDA to develop ideas and suggestions for consideration by the Congress and the interest groups.

Question: Do you support targeting payments to large or small producers? What are your views on payment limitations?

Answer: Targeted payments based on the size of the farm presents a number of difficulties. Such targeting ignores the fact that size may have little to do with an individual farm's profitability. Nor do I believe that targeting payments by size is effective. Payment limitations have been found to be largely ineffective because they encourage restructuring and other ways to get around the limits.

Question: If you give farm payments to producers regardless of size, are you encouraging further consolidation?

Answer: While it is true that under the current programs, payments tend to be concentrated in the hands of larger farms, I do not believe that farm program payments are the primary impetus to farm consolidation. Rather, technological changes that have allowed fewer farms to feed more people are the major factors affecting structural change.

Question: Even though U.S. prices have been extremely low since 1996, we haven't managed to gain and retain market share. How low do U.S. domestic prices have to go for us to gain export market share?

Answer: Low prices have been experienced by all the world's exporters in recent years, as grain supplies have exceeded demand. But U.S. exporters have been especially disadvantaged because of the strong U.S. dollar. The value of the dollar has increased sharply in the last several years, raising the cost of U.S. farm products to foreign buyers and the cost of U.S. agricultural products relative to those of our competitors. Since 1995, the U.S. dollar has appreciated over 25 percent against currencies of countries purchasing U.S. agricultural products, reversing about a decade in which the value of the dollar declined relative to other currencies. Over the same period, the dollar has appreciated over 40 percent against the currencies of our agricultural competitors. The strong U.S. dollar, while bringing benefits to the U.S. economy in general, has hurt U.S. export competitiveness. Declining interest rates and a slowing economy are expected to weaken the dollar in 2001, making U.S. agricultural products more attractive to foreign buyers.

Question: Should environmental or labor standards be a part of trade agreement?

Answer: Senator Dayton, agricultural trade agreements can potentially allow for governments to achieve a wide range of domestic objectives, including "non-trade concerns" such as environmental protection. However, government support for such objectives should be targeted and minimally distorting for production and trade.

Question: How would you approach the proposed Free Trade Area Agreement of the Americas negotiations? Would you prefer to see this negotiated as an extension of the NAFTA? How would you handle import-sensitive commodities such as sugar?

Answer: I see the Free Trade Area of the Americas (FTAA) negotiation as an opportunity to promote economic growth and strengthen democracy in our Hemisphere. Since the United States is negotiating with 33 other countries simultaneously, many of which belong to regional agreements such as Mercosur, Caricom and the Andean Pact, it is not be possible to treat the FTAA as an extension of NAFTA. I understand, however that the U.S., Canadian, and Mexican proposals and negotiating positions are usually based on the NAFTA provisions.

These negotiations will be particularly challenging for the agricultural sector since many of the countries in Latin America are competitive agricultural producers. If confirmed, I along with other Department officials would work closely with Congress and the U.S. private sector advisors to develop approaches that would be as beneficial as possible for agriculture.

Question: I understand that you strongly opposed the Kyoto Protocol, limiting emissions of greenhouse gases. Why?

Answer: I have never expressed any personal views on favoring or opposing the Kyoto Protocol. My comments on the Kyoto Protocol have been strictly related to the likely economic consequences of the agreement on the U.S. farm sector.

QUESTION SUBMITTED BY SENATOR DAYTON

To Mary Waters

Question: If confirmed, what role do you anticipate having in the drafting of the next farm bill?

Answer: If confirmed, I anticipate my role will be to articulate and communicate the farm bill proposals developed by the Department of Agriculture.

I anticipate that I will help formulate strategy to present these ideas to Congress.

In addition to communicating the ideas of USDA, I anticipate that I will need to construct and maintain a system and staff to respond quickly to Senate inquiries on farm bill policy directly from the Office of Congressional Relations and through the legislative staff in the individual agencies.

Question: How would you rate the success or failure of the 1996 Freedom to Farm Bill?

I agree with Secretary Veneman's position that farm policy should provide a safety net for farmers that is consistent with the free market, and that gives them the opportunity to prosper in global marketplace. I anticipate that if confirmed, I will be representing the positions of the Department on farm policy matters and since these positions have not yet been discussed in detail I cannot predict what policy changes to the basic structure of Freedom to Farm might be proposed.

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