



December 18, 2006

Special Update

## Secretary Johanns looks ahead to the 2007 Farm Bill

Drawing from a wealth of feedback gathered during dozens of farm bill forums, Agriculture Secretary Mike Johanns plans to offer very specific farm bill proposals early next year. That's despite advice from some GOP lawmakers and other farm policy analysts that the Secretary should offer only broad themes and concepts.

In a one-on-one interview about his farm bill proposal and other issues last week, Johanns said, "The whole idea is that the House and Senate Agriculture Committees can literally take what we put on their desks and say, "OK, we're talking about this issue today. These are the points the administration is offering in terms of what they think we should be doing here, whether it is conservation, rural development, commodities, and nutrition--- whatever it is..."

As for timing, Johanns says he had planned to release the farm bill proposals in January, but it "could very well slip" into February. "These things always take a little bit longer," he added.



Although Johanns avoided setting a specific date, USDA's farm bill package could be released at about the same time as President Bush's 2008 budget in early February, which would also provide a clearer indication of funding priorities. If that would occur, the farm bill proposal would be made available after the Congressional Budget Office (CBO) makes public its first revisions of the farm bill budget baseline (expected during last week of January) and before the March 2007 CBO baseline release--which will be used to score the 2007 farm bill.

Despite his desire to unveil a new package of proposals, Johanns said that 2002 farm bill was working as intended. "Philosophically, the 2002 farm bill was based on the premise that, if

prices are high, the payments under the program would be less. That's what the '02 farm bill was all about."

However, he emphasized that, "the dynamics are so different than 2002, commodity prices are very high for most program crops. We're seeing corn prices we haven't seen in a long time, we're seeing soybean prices that are very good. We've even seen strength in rice prices and wheat prices set a 10-year high recently. It's quite a remarkable time in terms of prices."

Another different dynamic is the potential impact of a World Trade Organization (WTO) challenge. "The peace clause expired a few years ago, so all of us are fair game in terms of WTO challenges. Johanns cited ongoing concerns associated with the Brazilian petition against the U.S. cotton program, despite changes that have already been made regarding the Step 2 provisions.

"They made it clear that what they are really interested in is the marketing loan and the counter cyclical programs---common to all of our commodity programs. So we certainly need to factor that in."

Trade for farmers and ranchers is hugely important, added Johanns. "The statistics are clear: We export 80% of our cotton crop, 50% of the rice crop, every third row of row crops, etc. Trade is important to agriculture. As we are debating the farm bill, we believe we will hit another record in trade, \$77 billion dollars---which is just remarkable. I don't think any farmer wants to jeopardize that."

Asked if there was anything new to report on the DOHA round of world trade negotiations after his recent visit to India, Johanns said there have been no breakthroughs, but discussions have gone through a "valuable phase." Since the talks were suspended in July, (U.S. Trade Representative) Susan Schwab and I said there would be a period of quiet diplomacy. She has been all over the world talking to trade ministers and such.

"The talks have been encouraging. I do believe the world is committed to this (DOHA) round. I do believe people throughout the world are trying to figure out what's the right combination to unlock this round and move it forward. If nothing else, we kind of took our temperatures around the world and decided we do want the round to be successful. Now we just have to figure out how to make that happen."

## **Focus on conservation, rural development, energy**

Whenever Secretary Johanns talks about the 2007 Farm Bill, he most frequently mentions conservation, rural development and renewable energy. Noticeably absent from most of his discussions: the commodity title.

Last week was no exception, when both Sen. Tom Harkin (D-IA) and Secretary Johanns emphasized the importance of conservation and rural development and the Secretary noted that these are areas "where philosophically we share many of the same goals." Asked to share what specific types of conservation and rural development programs would look like, the Secretary declined to offer anything more than broad themes at this time.

“Some of the things (Sen. Harkin) has been interested in his career are some of the things we heard about during the farm bill forums. Working lands conservation was a concept that came up with some degree of regularity. He’s also made the case that, conservation programs, done correctly, are WTO compliant. I’ve said that on numerous occasions: a conservation program, correctly done, is going to be a program where you don’t have to worry about a WTO claim.

Noting that both he and Sen. Harkin both came from the same state, Johanns emphasized that, “what is happening in Iowa is pretty characteristic of what’s happening in rural states. Now about 85% of the income from agriculture is off-farm income. It’s people working in town. The importance of that statistic to me and to him and to everyone working on the farm bill is that rural economic development, job creation, investment in infrastructure, those kinds of things, really create a quality of life that is terribly important for farmers and ranchers.”

“Often times, one or both of the spouses will be working in town. Why? That’s where the health plan can be funded, that’s where there’s some opportunity for a retirement plan. That’s the closest you can come to a predictable sort of income. All of those things are really important, and so I think that’s why, when we were out in our farm bill forums, the support for rural development was unanimous in the forums I did.”

Will Johanns propose new programs or simply promote more funding for existing programs? For example, the Conservation Security Program which was originally proposed by Sen. Harkin, never achieved the full funding that was authorized in the 2002 Farm Bill and has been implemented only on a limited, watershed basis.

“Great question. Don’t think I’d even propose to answer that for a little while. Just simply because we haven’t finalized our specific proposals and Sen. Harkin is still working on some specific ideas.” He added, “In Washington, there will always be people who say you need more money. That’s kind of the nature of the beast.”

**What about the energy title of the next farm bill, a topic that both of the new House and Senate Agriculture Committee chairmen have indicated will be a priority in the next farm bill?**

”For the last 20-25 years, other than last 3-4, the jury was very much out on ethanol. That has really changed and the economic dynamics for corn-based ethanol have been very positive over the last couple of years.

“I believe in the president’s agenda. Let’s keep moving to try to create as much independence from foreign oil. That brings in the question of cellulosic ethanol. How best to encourage that. I think we’ll live to see a day, if this continues, it’s possible a farmer who traditionally would raise hay, soybeans or corn, may say: ‘My best investment here is switchgrass.’ Now wouldn’t that be interesting?

“That gives the farmer greater opportunity, greater diversity and maybe greater return on their investment and that’s all very exciting. What I think is also very exciting is that I know every gallon of ethanol we produce is one gallon less of gasoline that has to be produced from foreign oil. And to me, that’s positive.”

**Will you continue to support the current ethanol tax credit and the tariff on imported ethanol?**

“I’ve historically supported those, but I have to tell you what a lot of people are saying. This is a very dynamic industry. I made a speech many years ago to the ethanol industry, in which I said, ‘When you are economically independent in making a profit, that’s the day we proclaim success.’ I believe in that. I don’t believe farmers want to farm for subsidies of any kind. I believe they want to farm for the marketplace.

“So we need to constantly look at these issues and decide what is the best approach and how we best address those. I’ve been encouraging that for many years, since I was chairperson of the Governor’s Ethanol Coalition, and would encourage agriculture to continue to do the same. Is there a point at which this is an economically independent industry? For me, that will be great success. In the last few years it has been.

“What does that indicate for the future? It could indicate a lot of different things, but one strategy that is important is how do we take the next step. How do we fund cellulosic ethanol research and how do we encourage that dynamic to occur because that will translate into a better situation for our farmers? Let’s keep growing in our policy development here for the future.”

**Will farm bill proposal include something specific to encourage the cellulosic ethanol industry?**

“It’s too early to tell what specific proposals are, but I will tell you I believe there will be a strong energy title in the next farm bill. There is a lot of support on the Hill. There is a lot of support at the administration level. What I learned in those many farm bill forums talking to farmers and ranchers, it’s got a lot of support in the countryside.

“We certainly hear about the high price of corn and its impact on pork, cattle, and poultry, but we have a lot of support for energy when we went out to the country and talked to farmers.”

**Do you foresee any type of program to compensate the livestock industry for higher commodity prices?**

“The livestock typically does not want to be compensated with federal subsidies. I will tell you that this is an industry that’s been hugely independent. They haven’t been subsidized with cash subsidies and they are not coming in here and saying, ‘I need subsidies.’

“I do believe you will here more and more from that industry and I think it will be part of the farm bill debate. They are asking for a level playing field.

“Keep in mind, some of our livestock producers are corn growers or soybean growers or wheat growers. They are not exclusively livestock producers. So they are on each end of the spectrum, they are getting a great price for their corn, but that price impacts the cattle that they feed. They just want a level playing field between the commodities and the meat industry.

## **What are the top three or four accomplishments you are most proud of this year?**

“First of all, the day to day operation of what we do in keeping the department running. Those aren’t the things that make the front page but they are very important.

“Our outreach effort to build a farm bill based upon what we heard from farmers and ranchers. It’s unique. I enjoyed it. I’m very proud of what we did. I’m very proud that, not only did we listen to farmers, we put up on our web site what they told us, spent the time to organize what they were saying. So anyone who wants to study what I heard in the farm bill forums can go on the web site. ( [www.usda.gov](http://www.usda.gov))

“I’m very proud of the fact that we took their themes: conservation, risk management, rural development, young people entering agriculture, and we built---through our economists here---analysis papers, filled with great information that I think will be of huge assistance as Congress starts to write the farm bill.

“I am proud of the work we do in trade. Certainly beef gets a lot of attention, but we’ve dealt with so many trade issues this year. We dealt with the GE rice situation. The ability for a commodity to sell itself into the international marketplace may be the difference between profit and loss for producers all over the country.

“This isn’t on the front page anymore but we continue to do very good work here on avian influenza. This has the potential to be a huge problem worldwide for human beings. Our work was very involved, very comprehensive. I’m very proud of my staff who have worked on that.

“One last thing: I continue to be enormously proud of what happens here everyday with employees at USDA. In this USDA family there are 110,000 employees at any given time. People love this department. I’m very proud of the work they do. They are hardworking, they are dedicated to their mission.

“I arrive here every morning about 7:00 am and I am met by people who have a smile on their faces and they want to know what I’m thinking about. I could walk you through the halls today and you will walk out of this building with a very warm feeling about what these people are all about. This isn’t going to be on the front page of any newspaper, but what these people do here would make any person proud. And it makes me especially proud because, at the moment, I’m their Secretary. I have very deep affection for the people here. They are good, solid people.”

---

**© Copyright Agri-Pulse Communications, Inc. All rights reserved. Reproduction or distribution in any form is prohibited without consent from Editor Sara Wyant, Agri-Pulse Communications, Inc. 5N985 Rt. #31, St. Charles, IL. 60175. Phone: (630) 443-3257. Fax: (630) 443-3258. A one-year subscription rate (48 issues) is \$249.00.**

**To subscribe or receive a four-week free trial, go to: [www.Agri-Pulse.com](http://www.Agri-Pulse.com)**