

**Remarks as Prepared for Delivery**  
**Secretary Tom Vilsack**  
**American Farm Bureau Meeting – Honolulu, Hawaii**  
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One hundred and fifty years ago, in the midst of an epic struggle upon which the fate of our nation and its experiment with a democratic government hung in the balance, our political leaders – led by President Lincoln – created the Department of Agriculture. The establishment of the department, in the midst of a civil war underscored the importance of agriculture and rural America to the country. What was true 150 years ago - remains true today - agriculture and rural America matter.

No group of people understands that truth any better than the men and women who lead the American Farm Bureau. I feel privileged and honored to speak to you today for that very reason. You know that as a result of the hard work and sacrifice of hundreds of thousands of farmers, ranchers and producers, Americans enjoy a rich diversity of safe and nutritious food - almost all of which comes from here in America. You appreciate the important role agriculture plays in our economy - responsible for 1 in 12 jobs. When American producers earn record income, as they did last year, you understand that workers in food processing, packaging, and farm equipment manufacturing also benefit from more jobs and higher wages. You recognize the underlying value of the American brand in agriculture - one of quality and value, which explains why America leads the world in agricultural exports. Last year, in part aided by the strategic focus on trade by USDA's Foreign Agricultural Service, Ag exports reached record levels of \$137.4 billion in sales, creating a \$42 billion trade surplus, supporting over a million jobs. You recognize that all of this represents just the beginning, as agriculture leads the development of an American-led bio based economy where what we grow and raise is used to make fuel, chemicals and polymers to compliment our traditional production of food, fiber and feed.

I need to say at the outset how appreciative I am for the strong partnership USDA and Farm Bureau has had and we continue to have. Bob Stallman and your national leadership

team worked hard. They expanded Ag exports through trade missions and advocated for the passage of the three Free Trade Agreements with South Korea, Panama and Colombia. They reminded Congress of the importance of the safety net for producers as well as fair and open markets here at home - all goals shared by us at USDA. Your leadership team went above and beyond the call of duty by also providing leadership on the project to build a Chinese garden at our National Arboretum, helping us to improve relationships with our number one agricultural trading customer. At the same time, Farm Bureau led an important effort to form the Farmer and Rancher Alliance to better connect agriculture to the 98% of America that does not farm, leading to a better appreciation of what agriculture means to America.

The strength of our relationship can also be measured by the willingness to say what needs to be said. Farm Bureau leaders across the nation felt free to express concerns about regulations being considered by the EPA and the Department of Labor. As a result, I asked EPA Administrator Lisa Jackson to participate in regular listening sessions with Ag leaders to hear those concerns first hand. We worked together to assure producers that EPA never intended to regulate farm dust or spilled milk.

I know there is more work to be done in regulatory matters including the EPA's guidance involving water quality and the Department of Labor's proposed child labor rule for employees of non family farming operations.

I have reached out to the Department of Labor about the proposed rule to explain the concerns in the countryside about the impact on traditional family farm operations. I know you share a deep concern for the safety of all of our children – particularly those working on farms and working with farm machinery. I've encouraged the Labor Department to spend some time communicating more thoroughly the purpose and intent of the proposed rule – to reassure folks that it will not interfere with families and their ability to raise their children with a love for hard work done in a safe way. I've also asked our team at USDA to help look to reallocate

resources from our Research, Education and Economics mission to help fund additional training opportunities so those needing additional training can receive it - conveniently.

I pledge USDA will continue to listen and to ensure regulators understand the full impact on farmers, ranchers and producers of rules and regulations as they are proposed and before they are finalized.

America's producers care deeply about the natural resources that help to produce this incredible bounty. In the last three years alone, USDA entered into conservation agreements and easements with over 500,000 producers and landowners - enrolling a record number of acres in conservation programs. These agreements help to preserve the soil, improve water quality, and promote wildlife diversity. These agreements also add hundreds of millions of dollars to local economies in rural areas and create thousands of jobs for local contracting firms and outdoor recreation operations.

As a result of evaluations done at USDA, we know these voluntary conservation plans have been embraced by farmers and ranchers and are making a real environmental difference including in large watershed areas like the Upper Mississippi River region, the Great Lakes and Chesapeake Bay.

I am proud of the unique work our team at the Natural Resources Conservation Service performed over the last three years getting us to a record of enrolled acres. Their efforts impacted every major region of the country including awarding the largest easement grant to any state to Florida for work in the Everglades, a partnership with Department of the Interior to provide regulatory certainty while protecting the sage grouse, and an innovative approach to the Gulf oil spill and its impact on migratory birds by creating 470,000 acres of temporary wetland habitat.

I am equally proud of the work done by our Farm Service and Risk Management teams which includes: a record number of farm loans during the last three years totaling more than 103,000 loans and extending more than \$14 billion in credit; two general signups for CRP; expansion of crop insurance to include over 130 types of crops; \$17.4 billion dollars in crop insurance payments to 325,000 producers; disaster payments totaling over \$3 billion to over 250,000 operators; and a long overdue, but recently announced crop insurance premium reduction, for corn and soybean farmers. We will continue our efforts to ensure the crop insurance program for all commodities is actuarially sound and premiums reasonably and fairly priced. They have also worked to improve service and streamline processes - the most recent example was work done to create more convenient crop and acreage reporting.

While farm income is up and is expected to stay up, many farm families need USDA to work hard at job creation off the farm. Our rural development team stepped up to the challenge of a tough economy. In the last three years, USDA Rural Development financed grants and loans to 50,000 small businesses helping to create or retain 266,000 jobs, supported over 300 broadband expansion projects to help 7 million more Americans access this vital infrastructure, made possible 6,250 community facilities including hospitals, schools, fire and police stations and libraries, funded over 5,100 water treatment plants providing cleaner water to 18 million Americans, and financed construction and improvements to 80,000 miles of electronic wiring to provide more reliable power to rural America. Our work, including our effort to promote a regional approach to wealth and job creation, is one reason why the unemployment rate is dropping more quickly in rural America than anyplace else in the country.

We are working hard and the results show it.

Despite the success of the past three years, more work remains. The two biggest challenges facing USDA revolve around the 2012 Farm Bill and significant reductions in the USDA's operating budget and program budget. All of us recognize the fiscal imperative of spending less money. USDA stepped up immediately with a \$4 billion savings over 10 years by

negotiating a new standard agreement for our crop insurance program. However, more will be required.

During the Committee of 12 deliberations, the House and Senate Agriculture Committees proposed a \$23 billion reduction in program resources over 10 years. Representative Ryan's proposed 2012 budget called for \$48 billion in reductions while the President's plan for economic growth and deficit reduction proposal suggested a \$33 billion reduction. These proposals set the range - the hard part will be settling on a number and what must be cut to reach that number.

Last November, I traveled to Ankeny, Iowa to deliver a speech setting forth the key principles upon which the 2012 Farm Bill ought to be crafted. Those principles are worth quickly repeating today.

First and foremost, the Farm Bill must provide adequate financial help for producers when times are tough and they need help the most. The safety net must include a continued commitment to and expansion of crop insurance combined with some method of revenue protection when producers are faced with loss either by natural disaster or very low prices. If crafted properly, the combination of crop insurance and a revenue protection program would eliminate the need for direct payments, which most acknowledge, under the current fiscal circumstances are far too expensive and we all know are very difficult to explain to the 84% of Americans who do not live or work in rural communities.

Second, the Farm Bill must continue agriculture's longstanding interest in stewardship and conservation. In a period of limited resources, policymakers would be wise to provide adequate resources plus added flexibility in what will likely be fewer funded conservation programs to guarantee the best results from each dollar invested. At the same time, USDA should be challenged to work with the private sector and other partners to leverage those resources as far as possible, to provide measureable and verifiable results from each

investment, and to the extent possible, furnish a degree of regulatory certainty as significant investments are made

Third, because every dollar USDA puts to work promoting trade generates a return of \$35, any Farm Bill must encourage and promote continued expanded trade. Given the benefits of the recently signed Free Trade Agreements with South Korea, Panama and Columbia and President Obama's efforts towards a Trans-Pacific Partnership, USDA must continue to have a broad range of options by which to facilitate trade.

Fourth, a well-funded research effort remains key to the United States retaining its competitive edge and global leadership in agricultural productivity. The correlation between cutting edge research and improved productivity could not be clearer. As a result of research at USDA, our land grant universities, and the private sector American agriculture ranks second in productivity gains of all segments of the US economy since 1980. Recent successes at USDA to map the genome of cattle to identify best breeding opportunities and to develop drought and flood resistant crops, for example, highlight the future potential for continued advances in productivity.

We understand the power and potential of scientific breakthroughs - this is one of the reasons we aggressively used process improvement to reduce by half the amount of time USDA takes to make regulatory decisions relating to new advances in crop production – without reducing the quality of the review. The 2012 Farm Bill must continue unwavering support for research and development.

Fifth, given the aging nature of our farmers and given recent trends suggesting that some young people are again being attracted to agriculture, the Farm Bill ought to better support beginning farmers including those helping to build local and regional food systems. Regardless of the size of the operation or what folks want to grow or raise, we should do all we can to encourage as many young people to become farmers, ranchers, and producers. We all

need to be committed to an innovative effort to recruit young people. At the same time we should use the Farm Bill to better educate all of America about where their food comes from and the challenges American producers face in helping to feed a growing global population with diminishing natural resources.

We all call it a Farm Bill but you well know it involves so much more, including specialty crop assistance, energy, nutrition assistance, and business and job creation. Time today doesn't permit a separate discussion of them, but no Farm, Food and Jobs Bill will be complete without thoroughly addressing each.

As the bill is drafted, I encourage Congress to see the potential in focusing on regional economic development and the potential of a more bio-based economy.

Small communities may not have the local capacity, organization or resources to attract economic opportunity but – operating as part of a region – resources can be maximized and leveraged.

The potential of a bio-based economy for rural America is unlimited. Imagine a rural America with hundreds of biorefineries using waste from livestock or biomass from crop production to create new feedstocks for chemical or polymer production - helping to further reduce our reliance on fossil fuels imported from somewhere else while creating better paying jobs for your children and grandchildren in rural America.

Last year, I challenged the leadership of FFA to give me their thoughts on the Farm Bill. I know that the Farm Bureau worked with them to help develop their ideas. Recently, the national leadership team came to DC to give me their report. What an impressive, articulate group of young people. Chief among their recommendations was the need to more effectively address the high cost of getting into farming and ranching.

The availability of affordable credit remains a real barrier for those who dream of farm ownership and working for themselves. Farm Bureau leaders would be impressed with the depth of their recommendations and you might consider affording them time on a future meeting agenda to present them.

I've thought a great deal about those FFA leaders and other members of FFA I've met along the way. These young people rightly focus on the future and we owe it to them to do so as well. At USDA we need to constantly strengthen our services and improve our performance notwithstanding reduced budgets. To do so requires tough choices and tough calls.

Over the next few minutes, I wish to visit with you about some of those tough choices and tough calls we are announcing today. Since 2010, Congress has reduced our discretionary operating budget by more than \$3 billion - a roughly 12% cut.

While every mission area received reductions, some agencies were reduced more than others. Agencies facing steep cuts, specifically in their salaries and expense line item that fund personnel included the Farm Service Agency, Rural Development, the Animal and Plant Health Inspection Service, the Agricultural Research Service and the Food and Nutrition Service.

In an effort to avoid further cuts to popular programs, Congress also made deep cuts in Departmental Management and the staff offices that provide support for all the folks doing good work in the mission areas, like the Chief Economist and General Counsel's office. Their appropriation was cut by about 18% this year alone. In the end, this does little to ease reductions to important mission areas. Why? Simply put, you cannot severely limit the back room operations, without impacting negatively the whole operation.

We understood this day of reduced budgets was coming and we have been proactive. First, we started last year by reducing travel, supplies and printing costs by an aggregate of nearly \$90 million. Second, also last year many agencies put hiring controls in place and those



were followed by the institution of a targeted early retirement and early separation incentive program. Initially, 4,441 employees of USDA retired on their own or took advantage of the early out programs. We reinstated the program again on a broader basis in this fiscal year, and since then another 2,529 employees have elected to take advantage of the retirement opportunities. That is nearly 7,000 people retiring in the last 15 months and that number is sure to grow as this year progresses. These departures have allowed us the flexibility to eliminate positions or restructure positions to be more relevant to the needs of our customers. Many of the positions we will fill will be at pay rates less than before. Given the reduced resources, our other choice of further reductions in force or furloughs would be very disruptive to the services that matter to you and those in rural America.

The workforce reductions are spread across all agencies and throughout many locations – including reductions in the DC headquarters and regional offices. Both management and rank and file positions are being reduced.

These reductions in workforce and retirements came at a time when more work was being demanded of our staff. For example, new programs called for by the 2008 Farm Bill. FSA, with a reduced workforce had to institute new disaster programs like SURE and the Livestock Forage and Indemnity programs. At the same time, RD and FSA were beginning to implement the new Energy Title programs. Workloads were also increased in the area of nutrition assistance as a result of the recession and expanded need to help struggling families manage.

Our efforts to manage less money and fewer workers with a record increase in workload included an effort by the Departmental Management team to improve service by reviewing seven management responsibilities common to all mission areas. We wanted to determine how service could be strengthened and provided more efficiently. The review included: Civil Rights, Human Resources, Budget and Finance, Security, Information Technology, Property Management and Procurement. Hundreds of USDA employees engaged in the process and developed 379 recommendations to strengthen services and create greater efficiencies.

Today, we are reaffirming 133 recommendations that describe processes already in place providing quality service in an efficient way. We are also announcing 27 recommendations of the remaining 246 recommendations that reflect a new way of doing business within the Department. This announcement will be followed over the course of the fiscal year with subsequent announcements for the rest of the recommendations and their implementation plans.

Examples of actions to be taken immediately include consolidating the 700 plus different cell phone plans into about 10 to leverage the combined buying power of USDA agencies, standardizing civil rights complaint investigations, coordinating geospatial investments, standardizing purchases of cyber security products, centralizing certain human resource functions and developing a strategic sourcing program.

We estimate implementation of all these recommendations will allow USDA to avoid spending millions of dollars in less effective ways while preserving funding for the programs directly serving rural America and avoiding furloughs or further reductions in workforce that can interfere with prompt delivery of important services.

The ultimate goal of this administrative service effort will be the optimal use of our people, better results for those we serve, and the more effective use of tax dollars for the benefit of taxpayers. Budget cuts and retirements combined with increases in workload also necessitated a review of USDA locations throughout the nation and the world. I requested that each agency and mission area examine its office footprint and make recommendations for steps to use those locations most effectively. Should offices be consolidated, closed, or regionalized? If closures or consolidations were to be recommended, I asked the mission area to clearly articulate the criteria used to make the recommendation and a plan for dealing with impacted personnel to save jobs.

Today, the Farm Service Agency, NRCS, FAS, APHIS, Rural Development, Food Safety and Inspection Services and Food, Nutrition and Consumer Services are unveiling their recommendations for 249 offices that would be closed or consolidated and work transferred. These locations join the 12 labs at 10 locations that ARS received permission from Congress to close this fiscal year. Even with these changes, USDA will still have a very strong presence in virtually all counties in the country, as well as around the world.

A complete list of locations impacted by the recommendations will be available on the USDA (dot) gov website today together with the criteria used in making the recommendations.

The process will be transparent as it should be and I want to assure everyone that USDA intends to comply with any notice or public hearing requirement imposed by law or required by Congress.

Just a few words specifically about FSA offices, since the largest number of closures, 131, is in this mission area. First, in making the decision to close an office, FSA relied on the 2008 Farm Bill criteria for determining what offices would be considered. Of the 131 offices on the list, 35 currently have no employees - the balance of the offices have either 1 or 2 employees and are within 20 miles of another FSA office. The work of these offices will be assigned to the adjoining county office, and personnel given the opportunity to transfer as well.

Our choice was either to maintain these offices or reduce our effort at improved technology to better serve producers and furlough workers, disrupting service to many, many people. We've invested millions of dollars and thousands of hours in an effort to get technology that should allow us to better serve producers with reduced staff. When fully operational, it will allow farmers and ranchers to access many of FSA's programs online at home and at convenient times. Over the long haul we believe farmers and ranchers across the country will be better served by the choice we made.

These closings and consolidations will begin taking place over the late winter and spring. FSA's goal is to finish consolidation by July, and all the other agencies – except for Food Safety district offices – aim to close facilities by the end of September. I know that some may be inconvenienced by this choice, but services will not be interrupted.

The time has come to get our country's fiscal house in order - tough calls, tough choices.

As we enter our 150th year our nation faces the economic reality of the need to reduce deficits and debts. Farmers and ranchers, faced with the same dilemma during the 1980's, made the tough calls and tough choices for the long-term good. As farmers reduce their debt they found the resources to invest in new technologies and equipment leading to greater productivity. Greater productivity enabled us to export and to find new uses for the crops we grow resulting in higher incomes for producers and jobs for those living in small towns. That productivity also holds the great promise of a new, American-led bio-based economy.

Our nation always emerges from crisis stronger and I believe now will not be the exception. American agriculture is the greatest and most productive the world has ever seen. Working together with Farm Bureau, I am confident USDA will manage this change as opposed to be managed by the change, and will emerge stronger and more capable to serve the interests of American farmers, ranchers and producers.

Let me close on a somewhat personal note. When I began this job I talked about the disproportionate sacrifice rural families made during this time of war. Approximately 40% of our military and a substantial number of those young men and women returning from Iraq and Afghanistan are from rural America. Little did I know that my 19 year old nephew from Mt. Pleasant, Iowa, a town of 8000, would be one of those serving in Afghanistan as a U.S. Marine. I pray every day for his safe return and the return of all our brave service men and women. I suspect there are moms, dads, granddads, grandmoms, and other family members in this audience today that have someone in harm's way. Rural America is an extraordinary place

inhabited by good, hardworking, productive people. We all owe rural America a debt of gratitude for what it produces and what it sacrifices.

During the 19th Century, farmers and rural Americans helped to save a nation. During the 20th century, farmers and rural Americans helped to build the strongest nation on earth. At the beginning of the 21st Century, farmers and rural Americans are helping again to strengthen America so it may continue for this century to be the freest, safest, greatest nation on earth.

God Bless you all and your families for what you do for this country, and God Bless America, for its best days are still ahead.