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of
Remarks by Secretary of Agriculture Ann M. Veneman
At the 79th Agricultural Outlook Forum
Crystal City, Virginia
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[Applause.]

SECRETARY VENEMAN: Well, thank you very much, Jim Moseley, for that very kind introduction and for the great job that you do. We have a tremendous team at USDA as I'm sure you heard from some of the remarks this morning.

Well, good morning to you all, and welcome to the 79th Annual USDA Agricultural Outlook Forum. It is truly a pleasure to be here with you today and to have the opportunity to share with you again some of our ideas for the year ahead and beyond. And I'm glad that we have not had an effect on attendance by our tremendous snowstorm of this last weekend. I think many of us were just ready to get out of the house. A little cabin fever had set in; there's no doubt about it.

As you can see already, our forum organizers have put together a great program this year, and I especially want to recognize Jerry Bange and Ray Bridge of the World Agricultural Outlook Board, and of course, I want to recognize our chief economist, Keith Collins, who does such a great job with this event and so many other things that he works on.

This event, of course, would not be possible without the Organizing Committee. They're listed in your program, but I want to personally say a word of thanks to all of you who worked so hard to put this forum together.

The theme of this year's conference is *Competing in the 21st Century*. Over the next couple days you will have the opportunity to discuss many emerging and developing issues that will surely impact the shape of the industry in years to come. Our world is in constant change, and so is the world of agriculture. When you examine where agriculture has come in a relatively short amount of time, that pace of change is remarkable, and it only sparks one's imagination as to what challenges and opportunities lie ahead.

A half century ago our nation's farmers and ranchers struggled in a world that was less open and less competitive. Exports then accounted for less than 10 percent of sales. Today, they're about 25 percent. 50 years ago farm machinery was primitive by today's standards.

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Today state-of-the-art computers, GPS mapping systems and precision farming are becoming the norm. Value-added agriculture is increasing profits, helping create new products, and bringing more ready-to-eat food that consumers demand. Value-added is bringing about advances in science and health, is bringing energy solutions. But some of the issues that have always plagued America's farm sector are still challenges today and are issues we will continue to face in the years to come.

As you know, farmers operate in a highly competitive marketplace that is filled with risk. To be successful farmers must have diverse skills. Our farmers are competing not only with their neighbor down the road, but also with other producers all around the world. The past couple of years, for example, we saw firsthand, as drought struck parts of our country. Just last week, after months of debate, the Congress produced a disaster package that builds upon this administration's efforts to aid producers who suffered through some of the difficult times. The President is expected to sign the package, and as Under Secretary Penn has discussed with you already, USDA's team is already at work to make sure that this additional assistance will be available to producers as quickly as possible.

“While these new programs and continued Farm Bill sign-up and implementation are among our most immediate priorities at USDA, the Agricultural Outlook Forum provides an opportunity to examine competitive issues for the 21st century and how best to position the agriculture industry.”

“Keith Collins, as he does every year, very ably laid out for you the state of the agricultural economy today, the economic trends, the statistics and the outlook. This year we expect a significant increase in farm income, and exports for the year are projected at \$57 billion, substantially above last year's \$53 billion level.”

“As we look to the future there are several critical issues that I think are important to examine more closely, issues that can help shape the future of our industry, and that can help position agriculture for the challenges and the opportunities of the 21st century marketplace.”

- “First, we must apply technology to its fullest potential, advance alternative uses for agricultural products and adopt a forward-looking regulatory system that ensures the integrity of technology advancements in food and agriculture.”
- “ We must strengthen our nation's food safety systems and ensure the protection of the food supply against potential bioterrorist threats.”
- “We must improve and expand risk management tools for producers to better prepare the agriculture sector when we face difficult and challenging times.”
- “And we must continue to expand and open new international markets and work harder to educate all involved about the perils to agriculture if we fail to make progress in this area.”

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“Addressing these key priorities will help position agriculture for the future and provide a focus to the main question that we ask today as part of this conference: what must be done now so we can be competitive in the dynamic marketplace of the 21st century?”

Applying Technology to its Fullest Potential

“The ability to continually develop and apply new technology effectively is essential to compete in the 21st century. This makes USDA's research and education programs crucially important, and it is highly complimentary to the work being done in the private sector that is helping advance agriculture in areas with enormous potential. This can be seen in the form of new products, more nutritious foods, advances in medicine, and even in helping address the nation's energy needs.”

“Successful farmers are applying new technology to lower production costs and become more competitive, while at the same time farming in ways that are more environmentally friendly. Whether improved seeds, new farm machinery sensors or computers, continual development of technology is essential for maintaining our productivity lead. Farmers must have the knowledge, skill and access to information to use technology to its fullest potential. We have seen this firsthand as new markets for bioenergy and bioproducts have emerged. We have already witnessed the tremendous growth in the use of corn in the production of ethanol. Five years ago we were using about 500 million bushels of corn for ethanol. In 2003 it's projected we may use a billion bushels, almost 10 percent of our total corn use.”

“One of the four domestic policy goals the President outlined in his State of the Union Address was the need to further reduce our dependence on foreign oil while improving the environment. Bioenergy and bioproducts made from agriculture commodities and agricultural waste can play an important role in achieving this goal.”

“Our ongoing research efforts, the 2002 Farm Bill, the pending energy bill, and our 2004 budget proposals all can help build the foundation we need to further open the door to these new energy markets for our farmers. We believe our well-supported research efforts, which include a stronger working relationship with the Department of Energy and full funding of the research and development program authorized in the Energy Title will provide opportunities to accelerate the opening of the bioproduct era for America's farmers.”

“Another income opportunity for producers is the creation of new markets to deal with environmental issues. For example, conservation or mitigation banking has been used in wetland conservation programs for a number of years. Producers can earn credits for creating or restoring wetlands, and the credits can then be sold to others whose project may adversely affect wetlands. This same concept is now being used in endangered species conservation. Yet another example is the many private sector efforts to create markets for actions that offset greenhouse gas emissions.”

“At USDA we are working with the Department of Energy to develop accounting rules for agricultural and forest carbon sequestration projects. Such rules and guidelines would form a basis for tradable emission offset credits.

Using markets to address environmental concerns, such as envisioned with the President's 'Clear Skies Initiative' also creates a win-win for farmers and the environment. The combination of our historic conservation programs combined with the emergence of these new markets truly make environmental protection a new day for America's farmers and ranchers.”

“Another opportunity for farmers is new classes of products made from biotech crops and animals, including nonfood products. Biotechnology is where technology, new markets and regulations come together, and where the future is already here. We are already seeing the benefits of crop biotechnology, and researchers are making incredible inroads into new uses for biotech crops and animals. As scientists push the frontiers of biotechnology, government regulators are greeted with enormous challenges. Failure to regulate effectively could undermine consumer confidence, cost valuable markets for farmers, both domestic and export, and delay the enormous public and private benefits that can be reaped from applying biotechnology to both food and nonfood uses.”

“We want to make sure the science does not outrun the regulatory system, which is why we must maintain consumer confidence in the public institutions through effective regulatory systems.”

“I have formed an interdisciplinary group at USDA and directed the group to thoroughly review current regulations pertaining to all aspects of biotechnology, particularly those that may be required for new pharmaceutical and industrial crops.”

“A top priority is also strengthening our coordination with FDA and EPA to ensure that there are no gaps in our regulatory infrastructure. It is important that we remain a world leader in a science-based, transparent and effective regulatory system. That's also why I am convening a Science and Technology Conference later this year in Sacramento, California. It will bring agriculture, environment and research ministers from around the world to discuss and showcase ag-related technologies, which have the ability to change lives, economies and the health of consumers.”

Delivering Safe Food

“Competing successfully in the future also hinges on the safety of our food supply. Since consumers have many choices about the foods they consume, news of tainted foods can induce strong changes in consumer behavior sometimes out of proportion to the real risk of adverse health consequences. Remember when BSE was detected in Japan during 2001? In the three months following the discovery, Japanese consumers reduced beef consumption by about one-half, with an equally sharp decline in beef imports.”

“Sales at McDonald's in Japan dropped sharply, even though only beef imported from BSE-free countries was being used in those stores. This disruption clearly had a negative effect on U.S. cattle prices in 2001 and 2002. We cannot, and we should not, expect consumers here or abroad to purchase our agricultural products if we cannot ensure that our food is safe and nutritious.”

“The President shares this belief, and for this reason has proposed record funding for meat and poultry safety programs, as well as funding increases to strengthen agricultural protection systems. In fact, USDA's food safety budget, if approved by Congress, will reflect a 20-percent increase since this administration has been in office. This is good progress, but food safety is also about science and utilizing that science to develop better policies and stronger systems to protect the food supply and consumers.”

“That's why USDA has declared a ‘war on pathogens’. We are examining current policies, investing in new research and technology and more advanced training programs to ensure that our programs meet the challenges of the new century. We know food-borne pathogens can happen at the farm or at various links in the food chain, including processing, retailing and in the home.”

“As markets expand globally, many producers are keeping more information about how their animals were raised, as well as marketed. Advances in information technology are making it easier for livestock producers to increase returns by enabling them to keep track of animals to both assure food safety and animal health, as well as deliver desirable characteristics to the checkout counter. But efforts in protecting the food supply do not stop at the traditional role of food safety.”

“In the post-September 11th world, there are new dangers that we must address. This requires that we closely re-examine our nation's infrastructure programs from farm to table, to ensure that we are protecting our food supply from potential bioterrorist threats. In the future, we cannot afford to simply look at these programs on a year-to-year basis. Funding priorities should and must be examined over the long run and in a much larger scope.”

“They may be part of America's permanent infrastructure, part of our long-term policy, planning and funding, and the agriculture community should become more proactive in helping to make sure they become part of the mandatory spending in future years.”

Managing Risks On The Farm

“Another key to success in the 21st century is having effective market-based risk management tools for producers. Today, the foundation of our risk management program is crop insurance. Following passage of the Agriculture Risk Protection Act of 2000, USDA implemented program reforms that spurred participation. Today, nearly 80 percent of eligible acreage is covered, compared with only 69 percent in 1998.”

“Moreover, over 50 percent of the insured acreage is now insured at 70 percent or higher level of coverage, compared with only 9 percent in 1998. Despite such progress, we need to strengthen our crop insurance program and improve risk management tools, generally. Our goals are to ensure widely available and effective risk management tools for our diverse farm sector, for farmers and stakeholders to be well-informed, that the delivery system is fair and effective, that programs are operated with integrity, and that we excel at service to the nation's producers.”

“To achieve these objectives, I have asked the Risk Management Agency to undertake a major initiative in 2003 to identify the underserved producers and closely examine the regions, commodities and the risks. Then, we will prioritize the development of new products to fill the gaps identified.”

“We already know we must develop better tools to serve the livestock industry, including forage and range coverage. We also know that there are concerns with coverage in regions that are facing multi-year droughts, and we need to simplify and improve the effectiveness of products such as revenue and whole-farm insurance that will meet the needs of all agriculture.”

“To make crop insurance more affordable and encourage smaller specialty crop producers in underserved states to try new insurance products, RMA is making available funds to provide cost-sharing assistance in 15 states that have been historically underserved by the federal crop insurance program.”

“As part of the overall risk management initiative, RMA will review its authority to protect the safety and the soundness of the delivery system. Last year, in 2002, the largest crop insurance company in this country failed. To ensure the delivery system can meet its commitment to the nation's farmers, I have asked the Risk Management Agency to examine its own authorities and processes to ensure effective oversight of the industry. This review will include establishment of appropriate performance standards for companies and agents, including financial standards and disclosure requirements.”

“The Risk Management Agency will also assess what may be needed to undertake remedial action or impose sanctions in the event of financial or other problems in the delivery of crop insurance. Based on this review, we will determine what actions need to be taken either through regulation or potential legislation to strengthen our authority to ensure a sound risk-management delivery system, and we will work closely with the Agriculture Committees of the Congress in achieving our overall objectives. These are issues that I have discussed with both Chairman Cochran and Chairman Goodlatte and are of concern to both of them.”

Opening Global Markets through Trade and Development

“The final component that will help ensure our competitiveness in the 21st century is to maintain and increase access to international markets, enhance worldwide economic development and stimulate world prosperity. We know that trade and trade agreements have brought significant benefits to U.S. agriculture. Just look at the NAFTA.”

“Over the last 10 years, U.S. exports to our NAFTA partners grew 76 percent, while exports to the rest of the world grew 12 percent. Think of what our farm economy would be without NAFTA growth, and think about what it would be if that NAFTA growth had been applied to the rest of our exports.”

“This year will be a critical one for advancing our overall trade agenda. The WTO negotiations are entering a crucial phase, as countries work to develop the modalities for reducing tariffs and subsidies to achieve trade reform.”

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“On the regional front, the negotiations to create a Free Trade Area for the Americas are also entering an important phase. Last week, we tabled specific offers to reduce trade barriers in key areas, including agriculture. The United States will host the next Free Trade of the Americas Ministerial in November in Miami, where we will have the chance to provide the bold leadership necessary to create this dynamic Free Trade Zone.”

“We have made significant progress on the bilateral front as well. The U.S. has just completed Free Trade Agreements with Chile and Singapore, both of which will soon be presented to Congress. We have announced free trade negotiations with Morocco, Central America, the South African Customs Union and Australia.”

“What do we hope to achieve with this ambitious trade agenda? Improved access and new opportunities in global markets for our farm products are very important, but a broader theme also runs throughout our approach to trade liberalization as we look to include developing countries as full partners in our trade agreements and other international initiatives.”

“While trade negotiations are often viewed narrowly, in terms of sales volumes of specific products, we must not lose sight of the real benefits of trade; that is, the stimulation of economic development and growth of consumer incomes that in turn lead to greater trade in food and agriculture products. We will work toward that outcome not only through strong leadership at the WTO and in bilateral negotiations, but also through enhanced efforts at capacity building in developing countries.”

“Today, I have outlined some important issues and priorities for this year and beyond:

- Improving our use of technology throughout agriculture;
- Expanding bioenergy and bioproduct use;
- Strengthening our biotechnology regulatory system, especially for nonfood crops and animals;
- Stepping up our war on pathogens and enhancing our infrastructure programs;
- Undertaking a key initiative to improve farmers, risk-management solutions; and
- Helping U.S. producers gain markets through international trade.”

“Many of these issues were addressed in the administration's policy book, *Food and Agriculture Policy: Taking Stock for the New Century*.

“And, they are issues that we will regularly examine in a futuristic publication that will be unveiled later today, but I'm going to give you a sneak preview and announce that USDA is launching a new product to deliver information more effectively to our consumers.”

“It is an on-line and in-print magazine from the Economic Research Service called ‘*Amber Waves*’. It replaces three previous publications. It will be just one of the many tools that USDA will provide to keep the issues of competition in the 21st century and those important to the agriculture sector in the forefront.”

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“Competing in the 21st century means above all that we must be prepared to address the challenges and take advantage of the opportunities in the ever-changing marketplace. There is no single “pass or fail” issue that will determine the competitive fate of U.S. agriculture in the 21st century. Our ability to take opportunities on a number of fronts will determine whether we reap the benefits of the 21st century marketplace.”

“Thank you all very much for being here today. I very much appreciate your attention.”

[Applause.]

SECRETARY VENEMAN: “I will now have time for just a couple of questions because we're running behind schedule, and then I will have the pleasure of introducing our next speaker.”

MR. MOSELEY: “Here's one in the front row. Right here.”

“Where's a microphone? We have one right here.”

QUESTION: Madam Secretary, JB, I think, or Deputy Secretary Moseley mentioned obesity, childhood obesity and obesity in America today, and I was just wondering what do you think USDA could do to address that issue?

SECRETARY VENEMAN: “Well, thank you for that question. I obviously did not hit every area that USDA is involved with. Many people don't recognize the fact that we do have responsibility for food and nutrition programs, school lunch, school breakfast, food stamps, WIC.”

“The child nutrition programs this year are expiring and will be reauthorized by Congress, which will be another key priority of the USDA this year. We also have a lot of environmental programs I didn't talk about, including the entire Forest Service.

“But on the issue of obesity, we, through our Food and Nutrition Service and our Research area, have been very active participants in the President's Healthier U.S. Initiative, where we are working very closely with the Department of Health and Human Services to address the issues of particularly childhood obesity, to encourage more exercise, healthier eating.”

“We certainly have a lot of education opportunities through our food stamp programs, our WIC programs, and we have proposed additional monies for educational programs in our 2004 budget. We continue to do research through our Human Nutrition Centers, but this is a growing problem in America and one that we, as the government, are very focused on, trying to change lifestyles, trying to change people's habits because, as you know, this has a tremendous health impact on America and on the costs of health care in the system as we move into the future”

QUESTION: “Good morning, Madam Secretary. Kathy Revis, American Agri-Women.”

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“I was wondering has it been decided how the disaster aid will be distributed, whether it's going to be through crop insurance or through disaster counties?”

SECRETARY VENEMAN: “As I think Under Secretary Penn discussed with you, we just got the disaster bill last week. We are going to use a process very similar to that which we used in the farm bill implementation, where we have a cross-sector group of people within the Department that address these issues and look at what this legislation says.

“This is very new legislation, not unlike the tremendous changes we saw in the new farm bill, so we're going to have teams of lawyers, economists, and program people looking at how best to deliver these program benefits as quickly as possible to our farmers and ranchers in the country.”

QUESTION: Secretary Veneman, how does the USDA plan to handle or move forward biotech policy as it relates to the European Union and then also domestically with respect to biopharmaceuticals?

SECRETARY VENEMAN: “Well, as I mentioned this morning in my remarks, we are going to be taking a strong look at all of our regulatory authorities. Within USDA, as well as throughout government, we are working closely with EPA, FDA to look at the authorities as we go forward and particularly address some of the challenges of biopharmaceutical and nonfood-use crops. These provide tremendous opportunities for farmers, but we need to make sure that these crops do not, in any way, impair the tremendous agriculture that we already have, and that's why we need to make sure we have strong regulatory systems

“As far as the European Union is concerned, we continue to work very closely with USTR to address the issues of biotechnology and their refusal to begin again the approval process. We have been going through this for over four years now as a government, I mean, we've been here two. We've worked very hard on it in the time we've been here

“And we frankly feel that our patience is growing very thin on this issue. So I have had many discussions with Ambassador Zoellick. We are both of the position that we need to take very strong action, and we are working in the interagency process to determine what action that will be and what the timing will be.

“I think we'll take one more question, and then I'll introduce our next speaker.”

QUESTION: My name is Antonio for Brazil.”

We are hoping for the Free Trade Area of the Americas, if it is going to be free. Total support was made in 2001. It was \$95 billion. In Brazil, it was a half-billion dollars. What means free trade?”

SECRETARY VENEMAN: “Well, one of the questions that has consistently come up when we negotiate Free Trade Agreements is whether or not we will, in the discussion of bilateral and regional Free Trade Agreements, address the issue of subsidies.

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The United States has consistently taken the position that subsidies have to be addressed in the global trade talks; that is, in the WTO context, because we cannot have a system that is equitable globally if we unilaterally reduce our subsidies in the regional discussions because, as you know, it would put our farmers and ranchers on an even more unlevel playing field vis-a-vis Europe and Japan, but we do want to move forward with these regional agreements, and that's why it's so important that we look at the entire whole of what we're dealing with in trade negotiations.

“That's why the WTO negotiations are so important to bring those subsidies down around the world together so that we can address those in the global trade talks, and then we can address further free trade issues through the bilateral, and particularly in the bilateral and regional talks, we will be dealing with market access issues to allow freer trade to continue

“Well, thank you very much.”

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