

**NOMINATION HEARING OF CHARLES F. CONNER  
TO BE DEPUTY SECRETARY, U.S. DEPARTMENT  
OF AGRICULTURE**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON AGRICULTURE,  
NUTRITION, AND FORESTRY**  
**UNITED STATES SENATE**

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

APRIL 6, 2005

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**NOMINATION OF CHARLES F. CONNER TO BE  
DEPUTY SECRETARY, U.S. DEPARTMENT OF  
AGRICULTURE**

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**WEDNESDAY, APRIL 6, 2005,**

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

The committee met, pursuant to notice, at 9:17 a.m., in room 328-A, Russell Senate Office Building, Hon. Saxby Chambliss, chairman of the committee, presiding.

Present or submitting a statement: Senators Chambliss, Lugar, Talent, Coleman, Harkin, Leahy, Conrad, Baucus, Lincoln, Nelson, and Salazar.

**STATEMENT OF HON. SAXBY CHAMBLISS, A U.S. SENATOR  
FROM GEORGIA, CHAIRMAN, COMMITTEE ON AGRICULTURE,  
NUTRITION, AND FORESTRY**

The CHAIRMAN. Good morning. We are here today regarding the nomination of Chuck Conner to be Deputy Secretary of Agriculture.

Mr. Conner is no stranger to this committee. From 1980 to 1985, he served as Senator Lugar's agricultural aide. From 1985 to 1987, he was a professional staff member with the Senate Agriculture Committee. From 1987 to 1997, he served first as Minority Staff Director, then as Majority Staff Director of this committee.

I will have to say, just from a personal perspective, having served in Congress for 10 years, I have known Chuck for basically all of those 10 years, and Senator Lugar, you made an excellent choice when you chose Chuck Conner to join your staff. He is certainly someone who has extensive knowledge of agriculture and of our programs and has been a very good person to work with over the years.

Mr. Conner was President of the Corn Refiners Association from 1997 to 2001. Since 2001, he has been the Special Assistant to the President for Agricultural Trade and Food Assistance.

Mr. Conner is accompanied today by his wife, Dru, and their four children, Katie, Ben, Andrew, and Emily. We are pleased to have all of you with us. Also in attendance today are Chuck's brother, Mike Conner, and his sister-in-law, Sally Lindsey. Welcome to each of you.

Senator Harkin is not here yet, but we will give him an opportunity to make any comment he wishes to when he comes in.

I want to let you all know what we are going to do this morning. Because of the Joint Session later this morning, I will ask my col-

leagues either to submit their opening statements for the record or present them during the first round of questioning. We have the session at—I believe we need to be on the floor at 10:30, so we are going to try to move this along, and that is our reason for bumping up the time table.

With that, I would like to turn to Senator Lugar for an introduction of Mr. Conner. Senator Lugar.

**STATEMENT OF HON. RICHARD LUGAR, A U.S. SENATOR FROM INDIANA**

Senator LUGAR. Thank you very much, Mr. Chairman. This is an especially high moment for me and I am grateful to have this opportunity to introduce to my fellow members Chuck Conner. He is a true friend of American agriculture and certainly a loyal friend of mine.

Almost 20 years ago, Chuck Conner was a young member of my staff, was with me when former Secretary of Agriculture John Block visited our farm and announced the first Conservation Reserve program. It is fitting that both Chuck Conner and the Conservation Reserve have matured during that generation into pillars of American agriculture, in my judgment.

He began working for me, as you have mentioned, Mr. Chairman, in 1980 in my personal office as a legislative assistant handling agricultural issues. Chuck was always in tune with agricultural issues on a national level, but more importantly, he understood the issues farmers were facing and that he faced in the fields of Indiana. In fact, he grew up on one of those Indiana farms in Benton County, was an active participant in the family's 1,100-acre corn and soybean farm, and paid for his college education at Purdue University by starting his own hog operation that I believe blossomed to nearly 20 registered Chester white sows.

Chuck combined this formative experience and his Bachelor of Science work in agricultural economics at Purdue just prior to coming to Washington to serve on my staff. Subsequently, Chuck has been an integral figure in forming Federal agricultural policy. While working with me as a member of the staff and later as the staff member and Staff Director of this committee, Chuck helped usher forward farm bills through the Senate, including the 1996 FAIR Act that ended 60 years of Federal reduction controls. Chuck's work in the Senate can be seen in moving American agriculture to a more free market system, thoughtfully making the USDA more efficient, making food safer, reforming the farm credit system, updating commodity futures laws, and preserving and improving our nation's child nutrition laws.

Chuck later played important roles in policy development as President of the Corn Refiners Association, and most recently as President Bush's Special Assistant for Agriculture.

I have had the distinct pleasure of witnessing Chuck succeed in each of these professional pursuits. More importantly, my wife Charlene and I have also enjoyed watching Chuck marry another Hoosier who also worked in my office. His wife, Dru, is with us today. They have done a tremendous job in raising their four children, Katie, Ben, Andrew, and Emily.

Chuck has always possessed sound character, an ability to work in a bipartisan manner to improve our nation's food and fiber infrastructures. As both a farmer and Senator on this committee, I am confident that Chuck will serve our nation superbly as Deputy Secretary of Agriculture at the United States Department of Agriculture.

I thank you, Mr. Chairman, for allowing me to make this statement. I will ask your leave in a few minutes to go do my duty on the floor as we proceed with the other responsibility I have in foreign relations. There will be a vote probably about 10:10, so this may influence the work of the committee likewise. Thank you.

The CHAIRMAN. Thank you, Senator. We appreciate your continued strong leadership as a member of this committee. I just received that same information, that there is a vote on your bill at about 10 this morning. I will just say, too, there is a possibility we may not finish until after the speech of President Yushchenko. If we are not finished, we can come back and we will resume the hearing.

Senator Leahy had a quick comment.

**STATEMENT OF HON. PATRICK LEAHY, A U.S. SENATOR FROM VERMONT**

Senator LEAHY. I do, Mr. Chairman, and I appreciate it. I couldn't help but think, I was talking with Chuck Conner earlier and it feels like old times with Dick Lugar and myself and Chuck. I have known him for a lot of years. The President could not have made a finer choice. He really could not have made a better choice for the No. 2 slot at USDA.

I know during the time he worked for Senator Lugar and worked with this committee, part of the time I was chairman, part of the time Senator Lugar was chairman, and we all benefited by his good judgment. I told him today he has that facility, which very much reflects Senator Lugar, that he always kept his word, and it made our life a lot easier as a result.

It was in 1990, we did a farm bill in about a week, a 5-year farm bill that had taken, 5 years before, had taken seven or 8 weeks, but because we could work together, we worked out probably 95 percent of the Farm bill by consensus and a lot of that is because of the great work that Chuck was doing.

I know there are going to be a lot of challenges ahead. I want to commend you, Mr. Chairman, for your effort to protect the programs. A lot of them are facing funding cuts. I know you have been working with Chairman Gregg on that. Obviously, I wish we didn't have any cuts, but we are in far better shape because of the work you are doing.

Chuck Conner and I talked earlier about some of the feeding programs. It has been a hallmark, a bipartisan hallmark of this committee from the time of Dole-McGovern to Dole-Leahy to Lugar-Leahy, feedings programs that have gone through here. It has worked very, very well.

We will have questions on the MILC program here. Chuck knows well there have been divergent views on dairy in this committee. We have found something we can bring a lot of those views together.

Frankly, Mr. Chairman, your leadership is going to be very helpful to us, but you are going to be helped by having such a consummate professional at USDA. I compliment the Secretary. I compliment the President. I hope that doesn't hurt you, Chuck—

[Laughter.]

Senator LEAHY [continuing]. I compliment you all for this, and I thank you, Mr. Chairman. I will put my full statement in the record.

The CHAIRMAN. Thank you.

The CHAIRMAN. Before I turn to Mr. Conner, let me say that we received a letter this morning addressed to Senator Harkin and myself from over 60 commodity groups that are in support of the nomination of Chuck Conner for this position.

[The letter can found in the appendix on page 26.]

Senator LEAHY. Also, Mr. Chairman, if you do reach a point where you are going to be voting, you have my proxy to expedite this in any way you can.

The CHAIRMAN. Thank you.

Senator Harkin, we are just getting ready to turn it over to Mr. Conner, but if you prefer to go ahead and make a statement, we will let you go ahead, whatever is your preference.

Senator HARKIN. Thank you, Mr. Chairman. I apologize for being late to the committee.

The CHAIRMAN. Senator Harkin.

**STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA, RANKING MEMEBER, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY**

Senator HARKIN. I will put my whole statement in the record. I won't burden you with reading the whole thing, but again, just to welcome Chuck Conner here, to congratulate him on his nomination to serve as Deputy Secretary.

Obviously, I first met Chuck when I came here in 1985 when he was with Senator Lugar and we have had a great relationship ever since. I can say without any hesitation or any fear of contradiction that any time that we worked on farm legislation in the 1980's—we had some pretty tough bills in those days, on the credit bill that we passed, Chuck was working on that—on through the 1990's, every time we had any dealings, Chuck was always there, open, above board, willing to work with us, just a great person to work with.

Then I followed him through his work in the administration on the last Farm bill when I was privileged to be chairman for a brief shining moment and Chuck was representing the White House and we had a great relationship. We got the Farm bill through in a great bipartisan manner and had a great signing in the White House.

I just say that in the 20 years I have known Mr. Conner, Chuck Conner, I can say that he is an outstanding individual, someone I admire greatly, someone who knows agriculture, cares about rural America deeply, and I just congratulate him on this new position, look forward to working with him, and hope we can expedite this, Mr. Chairman, and get him confirmed as soon as possible.

Thank you, Chuck, for so many years of service to this committee, to agriculture, and to our country.

The CHAIRMAN. Thank you, Senator.

Chuck, before we ask you to testify, would you please stand and let me swear you in.

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?

Mr. CONNER. I do.

The CHAIRMAN. There is one question we need to ask you for the record, before you make any comment. Do you agree that you will appear before any duly constituted committee of Congress, if asked to appear?

Mr. CONNER. I will, Mr. Chairman.

The CHAIRMAN. Thank you very much, and we look forward to your comments.

**STATEMENT OF CHARLES F. CONNER, NOMINEE TO BE  
DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE**

Mr. CONNER. Thank you. Mr. Chairman, Senator Harkin, members of the committee, I am grateful to the Committee on Agriculture. Thank you, Mr. Chairman, also for promptly scheduling this hearing to consider my nomination. I am humbled and honored to have been nominated to serve President Bush in this way.

I want to begin my opening statement by thanking the man who is responsible for many of my professional successes. Senator Lugar, as most of you know, has had a profound impact on my life. You will note from my information that I was only 22 years old when Senator Lugar took a chance and offered a farm boy from Indiana the opportunity to come to Washington to work on food and agricultural policy. On the day that I started working for Senator Lugar, I left behind tearful relatives in Indiana and flew on an airplane for the first time and traveled to Washington, DC. My life would never be the same, and the next 17 years were some of my very best. Senator Lugar, you have modeled for me a life of integrity and decency in public service, and for that, I will always be grateful.

Senator Lugar, as he mentioned in his opening statement, has had a large impact on my personal life, as well. He also gave an opportunity to a young woman from Fort Wayne, Indiana, to work in his office. My wife, Dru, and I met and were married while working for him and I will always be grateful to him for providing me that opportunity to meet my wife, and, of course, now to have our four terrific children who are here with me today.

Mr. Chairman, if confirmed by the Senate and by this committee, I want you to know that I will be guided by my experiences that have helped to shape my professional career over the last 24 years.

I have seen this committee through many leadership changes. Herman Talmage, a Democrat from Georgia, was the chairman of this committee when I started working here in 1980. Senators Lugar, Cochran, and Leahy, I believe, are the only members still serving from those days. The issues have changed somewhat, but one thing that has not changed is the fact that this committee continues to accomplish great things through bipartisan efforts.

During my tenure as Staff Director of this committee, I hope, Mr. Chairman, that I demonstrated my desire and ability to work with both sides of the aisle. We may disagree, but we can debate those disagreements knowing that each participant has a common goal, the goal of promoting the welfare and interest of the farmers and ranchers of this great land and those who produce the products that sustain us. That is a value shared by Secretary Johanns and President Bush. If confirmed by this committee and the full Senate, I pledge to you that I will continue to make every effort to work with both sides of the aisle and to reach out to all regions of the country.

Second, my firsthand experiences have developed in me an appreciation of the honor and importance of production agriculture. I grew upon a family farm. I watched my father toil every day of his life just to provide a modest living for his family. If confirmed, I will be an advocate for the farmers and ranchers. The farmers and ranchers who provide an abundance of low-cost food and fiber for this country and others around the world should be given the opportunity to earn a decent living for their family. This applies to the farmers and ranchers of Georgia, Mr. Chairman, North Dakota, Vermont, California, wherever the case may be, and including, of course, the farmers and ranchers of Indiana.

Third, I believe we must do everything we can in order to keep a competitive advantage around the globe for U.S. farmers and ranchers. This principle means that, just like President Bush and Secretary Johanns, I am firmly behind our trade negotiations and their efforts to reduce tariffs and duties on our agricultural exports. It is difficult to remain competitive if big duties must be paid in order to export. I believe this can be done in an environmentally sensitive manner by using incentive-based programs, many of which are targeted at working lands. To remain competitive, we also must utilize our strong agricultural research system, which I am a strong advocate of, and must get this information into the hands of our producers.

Mr. Chairman, my experiences on this committee have not been limited to farm programs. The late 1980's and early 1990's were difficult years for American agriculture. The senior Senator from Vermont, Senator Leahy, was the chairman of the committee during many of those years and we faced difficult challenges. We tackled issues like rescuing the Farm Credit System, promoting conservation programs, providing a safety net for the poor, reorganizing the U.S. Department of Agriculture, managing our National Forest System, and strengthened our rural development programs, and many others. All were priorities of the chairman and ranking member, and it has gone a long way toward preparing me for the awesome responsibility that awaits me if I am confirmed by this committee.

I close, Mr. Chairman, by simply thanking the members of this committee, past and present, for your help in preparing me for this job. If confirmed by this committee and the U.S. Senate, I can assure you that I will work hard to earn your support and respect and to live up to the standards exemplified by the members of this committee.

Thank you, Mr. Chairman, and I would be happy to answer any of your questions.

The CHAIRMAN. Chuck, thank you very much for that fine opening statement.

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

The CHAIRMAN. Traditionally, the Deputy Secretary has acted as the day-to-day Chief Operating Officer of the Department. What management skills area would you bring to that aspect of the Deputy's job?

Mr. CONNER. Mr. Chairman, one of the responsibilities that came upon us in the late 1980's and early 1990's was legislation that was proposed by this committee to actually do what was regarded as probably the most comprehensive reorganization of the management structure of the Department of Agriculture. This, as you can imagine, was a very controversial piece of legislation. Any time you are talking about changes, changes in offices, perhaps even relocating or collocating offices, as was the case, these are very controversial matters.

Over the course of a long period of time, we successfully produced legislation that both Senator Lugar and Senator Leahy championed, had broad bipartisan support, and really is the framework of the existing Department of Agriculture as we know it today. Certainly, that was a big training ground, if you will, for my understanding of the structure of the Department of Agriculture, how the management system works within that agency.

Just generally over the years, many, many experiences have prepared me for this job. Most of all, Mr. Chairman, what prepares me for this job is the heart that I have for the American farmer and rancher, and that is basically what the agency has, as well, and whether it is career people, political people, they serve at USDA because they want to promote the welfare and interest of the farmers and ranchers.

We are going to get along well. There are many, many fine professional people over at USDA whom I have worked with for many years. I look forward to working with them, as well, in this capacity.

The CHAIRMAN. One frustrating area for this member has been the lack of communication with the administration relative to agricultural issues, and no greater point on this can be made than the recent issue relative to the budget. I don't know of any member of this committee who had any dialog of any sort with the administration prior to that budget coming out, and that is very frustrating to us because it has to be a team effort, particularly on something as sensitive as the budget.

What level of communication do you think is necessary, and if we are going to improve that dialog, how do you intend to improve the relationship from a communications standpoint between the Hill and the administration?

Mr. CONNER. This is an area, Mr. Chairman, that I know Mike Johanns and I want to focus upon a great deal, and the current Secretary has already done a great deal to promote that increase in communication. The Secretary is quick to pick up the phone to call. I certainly know that he is quick to respond to your requests

and is eager to do so, and certainly, Mr. Chairman, I am going to be that way, as well.

I want to work with this committee, obviously. If it is not clear from my opening statement, I regard this committee as my home in many ways, professionally speaking, and it would give me no greater pleasure than to have a very close working relationship with this committee, with the House Agriculture Committee, where I have many colleagues whom I have worked with for many years. I just can't imagine attempting to run the Department without that close working relationship.

The CHAIRMAN. You alluded to this in your opening statement, but let me just ask you again. We live in a country that is very large and very diverse and we are blessed with a variety of soil and climatic conditions that allows us to produce a wide range of food and fiber products. Different parts of the country face different challenges and have different histories and needs. New England dairy farmers face issues that are different from Midwestern corn and soybean farmers or Western cattlemen or Southern cotton producers.

Do you agree that there are regional differences in American agriculture and that the government programs should not attempt to penalize any region of the country?

Mr. CONNER. I agree with that statement, Mr. Chairman. I will openly acknowledge to you that perhaps my knowledge of the agricultural commodities in this country outside of what I grew up with, which were corn, soybeans, wheat, cattle, hogs, those kinds of issues, my knowledge of those perhaps came the hard way, sitting around this committee. It probably began in 1985 when I actually became a professional staff member on this committee and Senator Jesse Helms was chairman of this committee at that particular time and I had to learn in a hurry about tobacco—

[Laughter.]

Mr. CONNER [continuing]. Peanuts and issues like that. I believe I have done so. Obviously, when Senator Leahy, and the relationship we had with him during all of those years, Vermont agriculture was very, very unique, as well, in that situation. I may have a few lumps and bruises over the years, but I believe my 24 years has given me a hearty understanding of just how broad and diverse American agriculture really is.

The CHAIRMAN. From personal experience, having a keen interest in tobacco and peanuts myself—

[Laughter.]

The CHAIRMAN [continuing]. You learned well, Mr. Conner.

Mr. CONNER. Thank you, Mr. Chairman.

The CHAIRMAN. You have always been very knowledgeable and very helpful to this member as a member of the House as well as over here.

With that, I will turn to Senator Harkin.

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

Again, Chuck, congratulations on this appointment. I look forward to working with you. I just have a couple of things I want to cover with you.

Back in 2001 and 2002, when you were representing the White House, you were engaged in the Farm bill negotiations quite inti-

mately. One that I know that you were engaged in was the energy title because we came up with a new energy title for the first time. We discussed this at length and it received pretty broad bipartisan support, to put an energy title in the Farm bill.

In that title, as you will recall, there is a provision, Section 9002, that requires all Federal agencies and departments to purchase bio-based products identified by USDA as long as they are reasonably equivalent in price, performance, and availability. It is a very simple title, 9002, but this is a very vital but often unheralded provision that will greatly benefit American agriculture, help drive rural economic development, wean our country off foreign sources of oil, and provide tangible environmental benefits.

Now, that is in the bill. That doesn't just say the Department of Agriculture. It says all Federal departments and agencies, from the Department of Defense to Department of Interior to everything else shall—it doesn't say may—shall give a preference to bio-based products in their purchasing as long as they are equivalent in price, performance, and availability.

Well, not much has happened. Last year, I asked GAO for a study on this to see what had happened. About a year ago, it came out with a pretty scathing, I thought, indictment of the USDA for not doing anything on this. Still to this date, we still don't have any action from USDA. Not one product has been designated for purchase after all this time, and yet the language is very clear. It says, "shall give a preference." This wasn't something slipped in. This was discussed. People thought this was a great way to start getting the Federal Government to be a purchaser of these products.

Now, about a year ago about this time, President Bush was in Iowa and I had the privilege of riding in the car with him and I talked about this with him and he became quite intrigued. I didn't expect him, obviously, to know about it. He doesn't know about all these little things in the bill. He called a staff person over, whose name I don't know, and said, "Talk to Harkin here about this." He talked about it and he took some notes, but not much has happened.

It has been very frustrating for some of us who worked hard on the energy title to see that provision there, to see the great purchasing power of the Federal Government. I remember I told President Bush, he said, "Well," he said, "we are for ethanol." I said, "It has nothing to do with ethanol." He said, "What are you talking about?"

He was drinking water out of one of these little plastic cups. I said, "Mr. Chairman, how many of those plastic cups do you think the Department of Defense buys every year, just the Department of Defense?" He said, "Obviously a lot." I said, "Well, that is what we are talking about. There is a plant right north of Omaha, Nebraska, right now, Dow Cargill, makes these cups out of biodegradable starch. McDonald's is buying them. If McDonald's can buy them, certainly the Department of Defense could buy them." Well, that got his interest. That is when he called the staff guy over and had him talk to me.

I just want your thoughts as Deputy Secretary, since you will be operating the day-to-day operations, to make this program a high

priority. Specifically, will you work to get the first rules designating items for purchase published in the Federal Register and effective as soon as possible?

Mr. CONNER. I will, Mr. Chairman, or Senator Harkin. I acknowledge to you this is a mandate in the Farm bill, and I will also acknowledge to you that it has probably taken us too long to get this in place. I can't recall the precise timeframe, Senator Harkin, but we are moving and getting closer on this—

Senator HARKIN. Good.

Mr. CONNER [continuing]. We can expect some action on this relatively soon.

Senator HARKIN. Great.

Mr. CONNER. I can assure you, though, that if confirmed and I get over there, that we will get this done because it is a mandate of the Farm bill and it should be done.

Senator HARKIN. I appreciate that very much. You can see why I am a fan of Chuck Conner's. He is straightforward. He just says it right the way it is.

[Laughter.]

The CHAIRMAN. He said what you wanted.

Senator HARKIN. He is just straightforward. He doesn't beat around the bush.

The second thing, with your indulgence, and you knew I was going to ask about this, the Conservation Security Program.

Mr. CONNER. I did know that.

Senator HARKIN. You knew I was going to get to that, right?

[Laughter.]

Senator HARKIN. Participation in the first CSP sign-up was much lower than NRC has expected. This year, with 220 watersheds, there will be much less money per watershed from the contracts, and the President has proposed even less money for new contracts next year. Again, I am concerned that the Conservation Security Program as enacted in the 2002 Farm bill is being eroded by restrictive rules and limited funds. Again, we designed a program. It was supported across the board. We walked into this with eyes open and we knew what we were doing. Compromises were made. Agreements were made in the Farm bill. The President, when he signed the Farm bill, Chuck, as you remember, touted loudly the conservation provisions in that Farm bill when he signed it. This program was intended to be attractive to producers that would generate significant and lasting conservation benefits from widespread participation.

I would just, again, like your commitment that USDA will help achieve the original program objectives of the Conservation Security Program.

Mr. CONNER. Senator Harkin, you are correct. I did anticipate this question a little bit, and you and I have had a few conversations about this since the Farm bill. I recall, Senator Hark, I believe it was actually the very first meeting that I had when I came to the White House was with you early in that Farm bill stage and you, for the first time, shared with me some of the thoughts that you were looking at with regard to the Conservation Security Program.

As I told you then and I continue to feel, Senator Harkin, I am intrigued by this concept. I believe we—this is something we need to give full attention to, because I believe the notion of providing some financial help to producers, but at the same time, too, making that help based upon the conservation activities that they are putting in place on that farm, is a long-term sustainable, if you will, farm program that I have a lot of personal interest in.

Now, having said that, I know that the first sign-up did not go as well as the Senator would expect. I guess I was pleased that we were able to go forward with the sign-up, because as I have told you before, it probably took us too long to get to the stage of that first sign-up because it does seem like we passed the Farm bill quite some time ago, and I recognize that as I told the Senator when we met several months ago.

Some of that reason for delay, in this case, I won't put all of that upon the backs of the people at USDA because there have been a lot of legislative changes to the Farm bill since its enactment dealing with this particular program, and I know the Senator would have preferred those changes not happen, but nevertheless, there are—those are significant changes that were more than just dollar changes. They did, in order to achieve the amount of money that Congress had allocated, they required a different type of program, perhaps, than had we not had those kind of budget limits.

Now, we are working very, very aggressively on this, Senator Harkin, and I know Mike Johanns has jump-started this again after his process. We do have another rule out for comment. I can't really go into the details, obviously, of that comment, but I will just say we are improving our outreach as reflected in this rule and getting input from the organizations, the farm organizations and the conservation community to make this a better program and perhaps do better than we did in that first sign-up for you.

Senator HARKIN. I appreciate that, Chuck—

Mr. CONNER. It is, again, our full intent to get this thing up and running well.

Senator HARKIN. I appreciate that very much.

Again, Mr. Chairman, it was not right that the Congress pay for disaster assistance by invading the Farm bill. Disasters are emergencies. I have said that many times on the floor and I continue to say that. We shouldn't penalize Florida because a hurricane hit, or Georgia. Sometimes hurricanes hit Georgia, too, I guess. We shouldn't penalize Kansas because a tornado has hit or something like that. These are natural disasters and emergencies.

We have never before ever invaded the Farm bill to pay for a disaster until, what, 2 years ago? Until 2 years ago, the first time. It was a mistake then. It was a mistake last year to do it again. Those of us on Agriculture have really got to pull together and just not allow this to happen again. It is wrong and it should have never been allowed to happen, and that is what you are referring to Mr. Conner, in terms of the changes legislatively that caused this program to be disrupted.

Hopefully, it will not be happening in the future and we can restore the program again to what it was in the Farm bill. Both the former chairman, Senator Cochran, and others have stated on the floor, it is in the record, that this program should be reinstated to

operate as was intended in the Farm bill for the duration at least of this farm bill. Now, if the committee wants to change it when the next Farm bill comes up, well, then that is fine, but it shouldn't be changed in between that.

Thanks very much, Mr. Conner. Thanks for your indulgence, Mr. Chairman.

Mr. CONNER. Thank you, Senator Harkin.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman. It is good to see you back here in this room, Chuck.

Mr. CONNER. Likewise, Senator Conrad.

Senator CONRAD. I first of all want to say I am delighted at this appointment. Chuck Conner is a pro. Chuck Conner's word is good. We dealt with a lot of issues in this committee. We didn't always agree, but it was never disagreeable. I know Chuck will bring that same attitude to USDA. I would say the only thing that would have been better, if they had made you the Secretary.

Mr. CONNER. No, thank you. No, thank you.

[Laughter.]

Senator CONRAD. I hope that word goes out.

Now, I want to just visit with you, and I see somebody else in this audience that would have made an outstanding Secretary, too, Congressman Combest. Senator Harkin and I and Congressman Combest and Congressman Stenholm spent a lot of time negotiating the last Farm bill. They were outstanding individuals with terrific staff assistants, as you always provided, Chuck.

Let me just go to the larger question here. According to OECD, the international scorekeeper, Europe is providing \$277 an acre of support per year to their producers—\$277 an acre of support in Europe. The comparable figure here is \$48. They are outgunning us more than five-to-one.

On export subsidy, Europe accounts for 87 percent of all the world's agricultural export subsidy. We account for 1 percent. They are outgunning us there 87-to-one.

We are now entering negotiations to attempt to level the playing field, and as we enter the negotiations, the administration sends a budget up here that says, cut agriculture, that is 1 percent of the budget, the budget that passed the U.S. Senate, cut agriculture 16 percent. In my State, that means the average farmer is going to lose about \$5,000 of income. On top of that, the administration says, cut from crop insurance another \$538 million, putting that at risk.

I just want to say, I don't see the rationale for these cuts. I don't see the rationale for cutting the farm program in the middle of it. I certainly don't see it being done as we enter into trade discussions to try to level the playing field for our producers. If we look at the trend lines, they are ominous, because we have moved from a dramatic trade balance, trade surplus in agriculture, and now they are telling us this year we may actually have net imports of food and food stuffs into the United States.

Could you tell us how it makes any sense to you that in the context of Europe providing much more support to their producers than we provide to ours, why we cut support from our producers?

Mr. CONNER. Well, Senator Conrad, you might be surprised that I anticipated this question, as well, and I appreciate the context in which you are raising it. You have always been a gentleman in these debates and I admire that in you.

Let me just say, I don't believe you have ever heard me apologize for the \$19.1 billion, I believe, dollar level, aggregate level of support that the U.S. has authorized under our trade laws versus, as you have noted, the sizably higher amount that our European counterparts are allowed to have. If I am not mistaken, I believe their agriculture and our agriculture are comparable on a total basis, yet their aggregate level of support is some three times, almost four times, perhaps, higher than our level. You certainly will never hear me apologize for that.

Now, with regard to the budget situation, let me just say, Senator Conrad, first of all, that we feel like we have turned the corner on the agricultural economy in the last couple of years. That is in no way a reflection, a statement upon absolutely every region of the country because we have a big and diverse agricultural system and there are always pockets. In general, I don't think you can dispute the record net farm income that we have seen in the last 2 years, the record low level of debt-asset ratios that we have seen, record amount of production, record amount of exports this past year—

Senator CONRAD. It sounds like a pretty good endorsement of the last Farm bill.

[Laughter.]

Mr. CONNER. Well—

Senator CONRAD. Would you want to endorse the last Farm bill?

Mr. CONNER. Senator Conrad, as you know, I was a strong advocate of the last Farm bill, as was the President. Continuing on that, though, obviously—

Senator CONRAD. If we could have only had the Secretary on board.

Mr. CONNER. Our challenge is obviously to sustain that recovery in American agriculture so that it is not a hiatus but something that is continuing over time.

I believe firmly, and I believe the President and the administration believe firmly, that one of the key elements of sustaining that recovery in agriculture as well as the remainder of the economy in terms of job growth is getting our arms around this Federal budget deficit, and—

Senator CONRAD. Well, I understand you have to be up here and be a good soldier. I just wanted to make the point. Look, it makes absolutely no sense to be cutting agriculture when Europe is providing much more support than we are, and when we are right at the dawn of negotiations to try to level the playing field.

One other question, if I could, on a parochial basis, in Devil's Lake, you are familiar with—you have heard me talk about this before—we have this lake that has risen 26 feet. The lake is now three times the size of the District of Columbia and it is flooding more and more land. When you were still here, Chuck, you saw me put up a number of charts then about how this lake had risen dramatically.

We have now got an additional 100,000 acres of crop and grazing land that have been flooded by the overflow of this lake and it continues to rise, threatening another 200,000 acres. Many of these producers are suffering very, very significant losses. Will you be willing to work with these producers to explore existing USDA programs that they might utilize to reduce these losses or offset them?

Mr. CONNER. I will, Senator Conrad. You know me, and one of my trademarks is I am accessible to not only farm organizations, but individual farmers who call. My direct line is generally readily available and it rings a lot. I am accessible to these producers. Obviously, we will talk to any group of them that you send my direction, but let us continue to take a look at this and see what we can do for them.

Senator CONRAD. I look forward to working with you, Chuck.

Mr. CONNER. I appreciate that.

Senator CONRAD. We really are delighted at your appointment.

Mr. CONNER. Thank you, Senator.

The CHAIRMAN. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman.

Let me add my congratulations and appreciation, also, for your nomination, Chuck. In our brief time together, we have had more than one opportunity to work together, and that has always been a very positive experience for me.

Senator Conrad, if you have that excess water and could channel it to Western Nebraska where the drought continues, we will be glad to take our share.

[Laughter.]

Senator NELSON. I am concerned about the future of trade as it relates to agriculture. I am more concerned about it from the standpoint that at the end of the day, with many of the trade agreements, you would have to say that they are stronger on imports than perhaps they have been on exports, and I don't know if we are now a net importer of food, but I have heard such suggestions. Do you know, are we now importing more food than we are actually exporting in terms of agricultural products?

Mr. CONNER. I don't have the precise numbers in front of me, Senator Nelson. I believe there was a quarter in which we were. I am not aware that for a given marketing year for agricultural products that we are importing more for that given year than what we are exporting, again, because we have seen record exports this past year.

Senator NELSON. As it relates to importation of agricultural products, we have to be very concerned that we not become a net importer on any extended period of time. If we like importing 60 to 70 percent of our fuel, we will love importing 60 to 70 percent of our food, which brings me to the question about trade agreements.

I know you are not going to the USTR, but my sugar farmers in Western Nebraska and the panhandle are very concerned, and I have spoken to other sugar interests around the country about the CAFTA agreement because of the importation of more sugar, and I wanted to bounce an idea off you for consideration in the future. If we can divide—you mentioned food and fiber, but also an agricultural program, a Farm bill which I hope we will talk about in the future is the Food Security Act, could also have another "F", and

that is “fuel” because of what we are doing today in growing our own fuel.

I wonder if there is a thought about how we might import virtually unlimited amounts of sugar if they go to fuel as opposed to food so that we can continue to grow our own food. Almost every country that produces its own rice is very reluctant to import much rice because they never want to be dependent on anyone else. It seems to me that sugar may fall into that category, but on a very different basis. Recognizing that sugar can also be fuel, I wonder if you have any thoughts about what that might entail if we were to consider CAFTA and other future trade agreements that might involve sugar or other commodities in requiring those to go to the production of our own fuel.

Mr. CONNER. Senator, I appreciate the comment and the question. Your idea about—I believe sugar-to-ethanol would be a simple way to sum that up—is an intriguing one. Certainly from my past work at the Corn Refiners Association, where we were heavily involved in the ethanol question, sugar is a carbohydrate. It is a starch. Obviously, those starches can be readily converted into fuels with the technology that we have today, much as we do with corn and other biomasses. The technology is there.

I am not certain, Senator, and perhaps some of your folks at the University of Nebraska and others could help us to know just what the economics would be and just how much it would involve to make that conversion relative to using other feedstuffs, but it is an intriguing idea that we would be happy to talk with you further about that.

Senator NELSON. I appreciate that, and I can say from my experience of having been to Brazil on a few occasions and checking out their ethanol industry, which is based largely, if not entirely, on sugar, where they have referred to it as “drink the best and burn the rest”——

[Laughter.]

Senator NELSON [continuing]. That it does make some sense to consider how we might channel that sort of importation so that it doesn’t disrupt food production in the United States. A good deal of our effort for protection of our own production is referred to as subsidy. There is no question about it. We also deal with imports that are under-priced coming into the United States because of larger subsidies in other countries.

Let me add my comments to Senator Conrad’s about the cuts to agriculture. I don’t think that they are well thought through at the present time and I hope that in your new position, you will spend a great deal of time working with us to see how we can even out some of this potential disruption to our agriculture production.

Mr. CONNER. You have that commitment, Senator.

Senator NELSON. Thank you, and good luck.

Mr. CONNER. Thank you.

Senator NELSON. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Talent.

Senator TALENT. Thank you, Mr. Chairman, and I will restrict myself to one area because I know we have a vote on.

Mr. Conner, thanks for being here. Congratulations.

Mr. CONNER. Thank you.

Senator TALENT. I agree you are going to do a great job.

Let me just bring up the issue of locks and dams with you. We are trying to compete internationally. We are demanding that our ag community accept—a lot of people are pressuring them to accept less and less in terms of domestic support, notwithstanding what the foreigners are getting, and then we are not keeping the promises that we made regarding, among other things, the transportation system. We have the Mississippi River system. Two-thirds of our grain goes down that system. We have locks and dams 600 feet when they should be 1,200 feet wide, built 70 years ago for paddle boats.

I would like you to tell me that you are going to assist the Secretary in being an advocate within the administration for rebuilding this system, for making these locks and dams wider, fixing this infrastructure so that we can get our product to market. The only people benefiting from this current system are the Brazilians, and we really need the Department of Agriculture to make that clear within the administration. I just hope you will do it. That is my only question and comment.

Mr. CONNER. Well, I will, Senator. Let me assure you, growing up in the Midwest, I fully understand the impact that the Mississippi River has on commerce coming out of that region of the country. It is not important, Senator, it is absolutely essential and I recognize that. What has been going on in terms of the last couple of decades with the efforts to stop one dollar's worth of rehab, renovation from going on in that region is very, very unhealthy for American agriculture. We flat out have to be able to get our bulk agricultural commodities out of that portion of the Midwest and down to New Orleans to a point of export or we are absolutely dead in the water.

I will be an advocate of that, I can assure you, and look forward to working with you on that.

Senator TALENT. Thank you. We need to stitch together the old brick-and-mortar coalition in both parties. We have some people who are opposed to this from an environmental standpoint, which is ridiculous. These barges—one of these barges replaces 800 to 900 trucks. It is the best thing we could do for the environment, to make this river system work better. It is like a one-lane highway now with no shoulders and it is carrying so much of the nation's commerce.

I know you believe that. I wanted to give you a chance to say that on the record. I really hope you will go in there and fight the short-sighted people at the Office of Management and Budget on this issue. I thank you, Mr. Chairman.

The CHAIRMAN. Thank you. We do have a vote open, but I have told the floor that we need to finish this hearing, so we will continue. We are going to go to the Capitol at 10:30, so I think we are OK.

Senator Lincoln.

Senator LINCOLN. Thank you, Mr. Chairman, and certainly thank you for your leadership in this committee. We are grateful to you for all that you do. Certainly to Mr. Conner, we do welcome you back home to the Agriculture Committee.

Mr. CONNER. Thank you.

Senator LINCOLN. You have done a tremendous amount here and we are all very, very proud and congratulate you on your nomination—

Mr. CONNER. Thank you, Senator.

Senator LINCOLN [continuing]. Know that you will be a hard worker.

I also share your respect for Senator Lugar. He is a devoted member of this body, and having helped to start the Senate Hunger Caucus last year, I have found no other member as dedicated and as compassionate and passionate about those issues, so I share your respect for Senator Lugar.

Your background and your willingness to serve are certainly an indication of your commitment and your dedication to agriculture and I thank you for that. I, too, grew up on a farm. My dad was a farmer. I watched as my father agonized over the drought, the floods, the markets, all of the conditions and all of the circumstances which he had absolutely no control over.

I also grew up with a man who was very proud of his country, very patriotic. He was the only man I ever met that loved to pay his taxes.

[Laughter.]

Senator LINCOLN. He loved to pay his taxes because he loved his country and he said, "You know, for what I pay in taxes, I get a tremendous amount, the honor and the privilege to be a part of this country, to serve in its armed forces, to be able to be something that I have always dreamed of being, and that is a farmer, to get my hands dirty every day and to be able to do the best job I can in producing the safest, most abundant and affordable food supply." I share your pride in that, coming from a farm family.

I know he believed in his government, and I know he believed that when his government made a contract with him, that he felt strongly that his government would not back out on him. I guess that is one of the biggest disappointments that I have had in all of the efforts you and many, many others put into the 2002 Farm bill. I see Chairman Combest in the audience there. He provided tremendous leadership there, as well as many of the other members of this committee.

I guess, knowing how proud your family is today sitting there with you, I remember this morning dropping my children off at school and each of them had a little Ziplock bag of change. Their school and student body, each of the students were collecting money to find a cure for cancer, and they were distraught in that they felt like they should have more. I said, you have cleaned out your piggy banks. You have cleaned out my pocketbook. We have gathered up all the change and you have given, and that is important. It is important to know that each of us gives what we can.

For Southern agriculture and the rural communities of the South, we do desperately want to be good Americans and we want to give and we want to participate in the historic debt that we have in this nation, in bringing it in line. We want to participate in providing the safest, most abundant and affordable food supply in the world.

I guess my biggest concern is that much more is being asked in terms of sacrifice for producers as well as the rural communities

of this country in the South when you look at all of the decisions coming out of this administration, whether it is the decisions through the Department of Treasury and the OFAC Office in limiting our rice trade, whether it is—and many on this committee may agree with—the payment limitations for the crops that we grow and that we are suited for, the fact that we are different and the diversity that exists.

I would just say that, both in recognizing my responsibility to raising my children but also the responsibility I have to the people I represent in the Senate, consistency is critical. It is critical in the trust that we develop and the important element of making sure that government is a positive part of who we are and what we can do in the global community.

I would just ask of you, as a part of the Department of Agriculture, that we can really look at these long-term commitments that are being made to our farmers. I know last week I was with my farmers and their bankers and the folks that they do business with in rural America who are not just seeing cuts in agriculture programs, but seeing cuts in their COPS programs and their Medicaid dollars and their health care providers are up against the wall. I guess it is just making sure that we can provide for them, in the diversity that exists in this country, the peace of mind that their government is going to support them just as it does the other regions of the nation. That is something that is going to be really, really critical for us in the coming years and we hope that you will be there with us.

I guess, in closing, my comments would be that I hope that you will provide us here on the committee the assurances that you will be an advocate for the current law that we negotiated out in good faith that recognizes the regional differences, where everyone came to the table and gave a little bit to come up with a compromise.

I hope that you will also reassure us, or at least explain to us what kind of a message we give to the rest of the world when we say that we are ready to lower our supports to our producers before we get a commitment from our trading competition to help level the global disparities. If what we are going to do is ask our producers to be competitive in a global marketplace, let us help frame the environment they are in in a reasonable way.

I guess, Mr. Conner, I am asking for your help, because I can't explain to my farmers any more than what I have done, and I hope that you will join me and that you will bring the Secretary with you as we come, and perhaps travel to Arkansas so that you can help me explain what it is we are asking of our producers, particularly in that region of the nation, to contribute to what this great country is all about.

Is there some way I can get an assurance from you on a couple of those things?

Mr. CONNER. Well, let me—Senator, I appreciate your comments and I know they come from deep within your heart, as mine do, as well, and I appreciate that.

In terms of assurance, let me just share a couple of thoughts with you and perhaps we can talk more about this if you want in subsequent questions. We are willing to work with you on these issues. In the President's budget, you are at a little bit of a dis-

advantage in that if the budget process were a poker game, you probably wouldn't want to bet on the President because he has to show his hand early in that process, and we have done that. We have put the issues out there on the table——

Senator LINCOLN. Well, if he is bluffing me, I am OK, but——  
[Laughter.]

Senator LINCOLN. Let me know now.  
[Laughter.]

Mr. CONNER. It is a pretty poor bluff if he is, Senator.  
[Laughter.]

Mr. CONNER. Again, let me just say, and if there has been a theme this morning perhaps of who I am, it is the fact that we are dealing with issues here that are very controversial, not just between the administration and you, Senator, but between members of this committee, and there are extremely wide and diverse opinions on this committee over the issues that you raised, payment limits being a very, very obvious one, and there is sharp, sharp division here in this committee.

My point is simply I want to help you play a role of being the—a bad word, I guess, in these kind of times, but the reconciliation person in those differences. It is a role that I have played in the past for a long, long time. I hope some of the testimony given here this morning says that it is a role that I played successfully and I certainly see no reason that that is going to change when I—if I am confirmed and become the Deputy Secretary of Agriculture. It is the role that I played when I was with the President in the 2002 Farm bill. Former Chairman Combest can speak for himself, but I believe he would tell you that that is the role that I played with him coming in a little bit late in the game, but immediately tried to move us into a constructive position. We want to be constructive in this process and I commit that to you.

Senator LINCOLN. I appreciate that. There are many people around that table. There are not just these here that may disagree in the Congress, but there are international elements involved, as well, that are a huge part of this global marketplace that we find ourselves ever more in a competitive nature.

I hope you won't ask me to fold, because I don't want to have to fold at this poker game——

Mr. CONNER. Indeed.  
[Laughter.]

Senator LINCOLN [continuing]. On behalf of my farmers. I would very much like to ask you and the Secretary to travel to our part of the country and to answer the questions of my farmers and see the capital-intensive investment they have to make in the crops that they are best-suited to grow to compete on the world marketplace. I hope I at least have that commitment from you.

Mr. CONNER. You do have that commitment from me, Senator. I can assure you that there are things in the works that are going to take us to your great State, and frankly, many others as the Secretary—I know his passion is to get on the road and to get some views of the farmers out on the local level.

Senator LINCOLN. Well, I hope that will be sooner than later, because as I said, the answers that I have are exhausted in terms of what we need to do.

Mr. CONNER. I will just tell you, Senator, the last time I was in your State on an agricultural matter, I was in a Tyson chicken plant. That was an experience beyond description, to be inside that plant—

Senator LINCOLN. Yes, it is. I have been there, too.

Mr. CONNER [continuing]. I look forward to a different view, perhaps, when I come down.

[Laughter.]

Senator LINCOLN. Good luck.

The CHAIRMAN. I am told by the floor that they are going to keep the vote open until 10:30, which means we have 9 minutes left.

Senator Salazar.

Senator SALAZAR. Thank you very much, Mr. Chairman, and congratulations, Mr. Conner, to you and to your wonderful family. I wish you the very best of success in this new position.

Mr. CONNER. Thank you.

Senator SALAZAR. Let me be brief and just make three quick points. One, I would request of you, and you don't have to comment today, but to get a response from Secretary Johanns on a letter that I sent to him on March 10 concerning the ban on Canadian beef imports. I believe that we need to move forward with a process that makes sure that we are protecting consumers and ranchers here in our nation, and it is incumbent upon the Secretary, given where we are, to at least lay out where we are and where we are going, and I made that request of him, so if you would look into that for me, I would very much appreciate it.

Mr. CONNER. I will.

Senator SALAZAR. Second, I wanted to just echo the concerns that you have heard here from my colleagues this morning in terms of investment to rural America and to agriculture. Talking about farmers and ranchers is sometimes like talking about motherhood and apple pie. It is very different when we ask our government to work with farmers and ranchers to walk the talk. It is easy to do the talk on supporting farmers and ranchers. I know that from a statistical point of view, you can make an argument that some things are improving in the agricultural economy.

Well, at least in my State, when I travel through the Eastern plains of Colorado and down to the San Luis Valley and places that are some of the poorest counties in the United States of America, I can tell you that these family farmers and ranchers are suffering and many of our agricultural communities continue to wither on the vine. I will just join the chorus of concerns that you heard here from my colleagues about the President's budget.

It is easy to say you support farmers and ranchers in America. It is another thing to actually do it. From my point of view, Mr. Conner, the budget that the President has proposed does not do the job. It leaves out a small portion of our overall population out in the cold because they don't have the same kind of opportunities in my State, for example, that people would have in Denver, Colorado, or in the larger cities. I would hope that part of the commitment that we see from you in your new position is to help us make sure that we are prioritizing what I call the forgotten America.

With that, Mr. Chairman, given our time limits, I don't need a response. I will just go yield to you so you can conclude.

Mr. CONNER. I appreciate your comments, Senator Salazar.

The CHAIRMAN. Thank you very much. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

I would also like to chime in on the point that Senator Salazar made. You responded to Senator Conrad's question about why are we cutting our budget now. We have to negotiate. Your basic response was, well, gee, the farmers are doing pretty well. You cited some numbers, farm income is up and so forth. I don't know about those numbers, but whatever they are, as you know as well as anyone, it is the tyranny of averages. Average numbers don't really mean a lot. We are such a large country with so many pockets of income that is low. There are pockets of farmers where income is low. Senator Salazar mentioned parts of Colorado. The same is true in, I would say, most of Montana.

Those numbers you used, I don't know, again, what all was in it, and I know you know this, but I just wish the USDA would, on a proportionate basis, stand up a little more for the producer, because the industry can pretty well take care of itself. They have different means, different ways of doing things. The producers don't have any other ways. As you know, they are at the mercy of price, the mercy of the weather, and all that. The big boys, they can take care of themselves. The big boys also, unfortunately, have much better access to you because they are in Washington. They have people working for them in Washington. The farmers don't. The farmers depend upon us.

What I would like to know is your telephone number. You mentioned that you had an open line to everybody, and I want my Montana farmers to give you a telephone call.

Mr. CONNER. Well—

Senator BAUCUS. Would you give me a number, please?

Mr. CONNER. Senator Baucus, I am not over at USDA yet, but I—

Senator BAUCUS. Well, give me your number that you have. What is the number to reach you at right now?

Mr. CONNER. At right now?

Senator BAUCUS. Yes.

Mr. CONNER. It is 202-456-7804—

Senator BAUCUS. Four-56-7804.

Mr. CONNER [continuing]. As some of the people in this room can tell you, that rings at my desk. One thing you learn at the White House is it is a lean operation, so there is nobody there to pick it up but me.

Senator BAUCUS. Right. I appreciate that, because in Montana, I take all calls from all Montanans unscreened. I don't care who it is. I take the telephone call.

Mr. CONNER. That is my policy.

Senator BAUCUS. I give my personal e-mail, not the office e-mail, my personal, private e-mail to all Montanans. I know that it helps.

Mr. CONNER. Yes.

Senator BAUCUS. I applaud you for having the same policy. You gave us your number, thank you, so people have an opportunity to talk to you, too.

Mr. CONNER. Absolutely.

Senator BAUCUS. I appreciate that. When I was home during the break, I ran into a lot of anger, frankly, from farmers who were wondering when will they be able to sign up for the Agriculture Disaster Assistance Program. We were promised first of the year. That was promised by USDA. Now we are told it is March. There is no software at the offices in Montana. Now we are told we won't get checks until maybe October.

Mr. CONNER. Right.

Senator BAUCUS. That is inexcusable, and you will agree. There is not much—

Mr. CONNER. I will—

Senator BAUCUS [continuing]. I called Secretary Johanns about this. As things work, you have to, to some degree, and he said he would look into it and try to help. My office followed up with people at the USDA just getting the run around. The follow-up calls that my office is making on this are just run-around telephone calls. It is a stone wall. I am asking you now to follow up if you could, please, and see what in the world is going on here. We have to get that software out there. We have to get these offices up and running and we have to get those checks out earlier than October.

Mr. CONNER. Senator, I will assure you I can do that. There was the software. It was out and it was up and was running for several hours. Then they figured out that there was some kind of a glitch in it and they had to shut it back down. They tried—and it's no explanation other than to say we know that this is not the kind of performance we expect, and I can assure you we will push on this issue.

Senator BAUCUS. Can you get back to—you are going to be confirmed, and you will be a very good Deputy Secretary, but within a week of your confirmation, if you personally could give me a telephone call and give me an update—

Mr. CONNER. Yes. I would be happy to do that, Senator, absolutely.

Senator BAUCUS. Do you want my telephone number?

[Laughter.]

Mr. CONNER. They know how to get hold of you.

[Laughter.]

Senator BAUCUS. Thank you. Thank you very much.

Mr. CONNER. Thank you.

Senator BAUCUS. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Conner, you will find that every farmer in America is listening to this over C-SPAN today and your voice mail will be full—

[Laughter.]

The CHAIRMAN [continuing]. By the time you get back.

Mr. CONNER. Well—

The CHAIRMAN. Senator Coleman, Senator Baucus and I are going to go vote before the vote was ended close this down, so I am going to turn this over to you to wind up and let you have all the time you need for questions for Mr. Conner.

Senator COLEMAN. This is a rare opportunity, Mr. Chairman.

[Laughter.]

The CHAIRMAN. He is under oath, so—

Mr. CONNER. They said you were my friend, Mr. Chairman.

[Laughter.]

The CHAIRMAN. Let me just announce that the record will be left open until Friday, April 8. Mr. Conner, there may be written questions that will be submitted to you. I would urge you to get those back very quickly because it is my intention to bring your nomination to a vote as soon as possible next week. If you could get those right back to us, if there are any questions—

Mr. CONNER. We will do that, Mr. Chairman.

The CHAIRMAN. All right. Senator Coleman.

Senator COLEMAN [presiding]. Thank you, Mr. Chairman.

Mr. Conner, it is a great pleasure to be with you today. I am looking forward, obviously, to supporting this nomination, looking forward to working with you. I appreciate the time you spent with us in Minnesota. I know you had some family conflicts there and figured out a way to make it happen and I am appreciative for that.

I have just two questions and a statement. We had a chance in my office yesterday to raise some concerns and we don't have to go over that again today. We did talk a little bit about the manner in which the quality loss provisions of the current disaster program for my wheat farmers is being implemented.

Mr. CONNER. Yes.

Senator COLEMAN. We have concerns under the new disaster program. The farmers are just out of luck if national adjustments are out of whack, which is what is happening in the local market. I just have some real concerns there. Can you give me some reassurance? Law should trump regulation. That is a pretty fair comment. I hope the USDA will carry out what is clear Congressional intent. Can you talk to me a little bit about this issue?

Mr. CONNER. Senator Coleman, since our meeting yesterday, I have had a chance to very briefly, and I will say a little bit superficially, review this issue. What I have found is it is my understanding that the problem in Minnesota can be resolved if we provide some flexibility back to the State committees, to the Farm Service Agency State committee. In the case of—there is a similar problem in North Dakota, is what I understand, and I noted that there was a communication from Under Secretary Gebler to the North Dakota delegation in which some of that flexibility was granted in their particular case.

I need a little bit further time to just review why additional flexibility would not be appropriate, as well, in the State of Minnesota, which again, is my understanding, would probably solve your issues there.

Senator COLEMAN. I believe under the old disaster program, if quality adjustments nationally weren't reflecting what was happening in the local markets, that the State FSAs had that kind of discretion.

Mr. CONNER. That is my understanding, as well, Senator.

Senator COLEMAN. That would go a long way to helping our problem.

Mr. CONNER. We are on it, and I can assure you we will figure out what is going on there.

Senator COLEMAN. The other issue I want to raise is I appreciate the President's strong support for the MILC program. I am very

appreciative of that and just want a clear sense of a commitment to helping us get this important program extended for 2007.

Mr. CONNER. Yes. Senator, as you know, the President on multiple occasions indicated that he was strongly in favor of working with you and other members of this committee and the House side in extending that program. Certainly, that commitment remains good today and was reflected in the President's budget and we look forward to that.

Senator COLEMAN. Great. Just a last more of a statement rather than a question, two observations. One, standing behind a farm bill that still has a couple more years to go without, and this is not just to you, but we all have to stand behind the Farm bill. I am concerned in some of the budget discussions about the impact on growers and producers who have made commitments, saying these are the rules of the game. It is a little discouraging at times when there are budget proposals on the table that appear to put us in a position of changing those rules. It is hard for folks who have made commitments and work with their bankers and others with an expectation of what the lay of the land is to all of a sudden have a sense that land may be shifting. It is a little disconcerting. I just hope we continue to have great sensitivity to that and stand firm behind the bill that we have as we look forward to working on a new one.

Then the last observation is on the issue of trade, that as we move forward on the WTO discussions, that again we stand behind this farm bill. That is important. It is important that our growers and producers are the great beneficiaries of trade. I understand that. On the other hand, as we negotiate bilateral and regional agreements, it sometimes pits one set of growers against another and that concerns me, deeply concerns me.

If we can do the things we can to look at things and see that they are handled in a global context—sugar, for instance—we all would be better off. It is a little, I don't know if the word is "dangerous," but it is certainly a concern to me if we seem to be pitting one group of growers and producers against the other. Hopefully we will keep that in mind.

I look forward to working with you. It is a great opportunity. The President has been tremendously supportive of agriculture, tremendously supportive, and the key to that is surrounding himself with great talent. Secretary Johanns was a friend of mine when he was the Mayor of Lincoln, Nebraska, and I was the Mayor of St. Paul, Minnesota, two capital cities. He is an extraordinary man and I said he is a really smart guy because he was educated, he and his wife, in Minnesota, so clearly that is a—

[Laughter.]

Senator COLEMAN [continuing]. I know how smart he is. With that, I look forward to working with you.

Mr. CONNER. Likewise, Senator Coleman. Thank you.

Senator COLEMAN. This hearing is now adjourned.

[Whereupon, at 10:36 a.m., the committee was adjourned.]

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**A P P E N D I X**

APRIL 6, 2005

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The Honorable Saxby Chambliss  
Chairman, Senate Agriculture, Nutrition and Forestry Committee  
Senate Russell Office Building, Room 328A  
United States Senate  
Washington, D.C. 20510

The Honorable Tom Harkin  
Ranking Democratic Member, Senate Agriculture, Nutrition and Forestry Committee  
Senate Russell Office Building, Room 328A  
United States Senate  
Washington, D.C. 20510

Dear Chairman Chambliss and Senator Harkin:

We, the undersigned organizations, write to express our enthusiastic support for the nomination of Chuck Conner to be Deputy Secretary of Agriculture and we urge the Senate to act expeditiously in favor of his confirmation. Chuck has a rich heritage in agriculture by growing up on a family farm in Indiana and continuing with his public service to agriculture here in Washington, D.C. In our view, he fully understands the struggles, opportunities and needs of America's hardworking farmers and ranchers and their families and will put that knowledge to great use at the U.S. Department of Agriculture.

Chuck is extremely qualified to be Deputy Secretary in part because of his wide range of experience including his tenure of service in the U.S. Congress covering various positions in the Senate including Staff Director of this Committee. During that time, Chuck demonstrated the significance of working in a bipartisan manner to achieve real results for American agriculture. Chuck has built on this foundation of success by serving in the current Administration where he has dealt with a diverse set of problems through consensus building and with a deep appreciation of all regional agricultural challenges unique to the North, South, East and West.

Our organizations represent many who work in the food and agriculture sector. As you know, it is an important, robust industry which employs 25 million Americans and represents nearly 15 percent of the Gross Domestic Product. Therefore, it is crucial that the USDA be led by proven leaders. We commend your confirmation of Secretary Johanns and we believe that together with Chuck Conner they will form an excellent leadership team.

Respectfully,

Agricultural Retailers Association  
Alabama Farmers  
American Association of Crop Insurers  
American Beekeeping Federation

American Farm Bureau Federation  
American Feed Industry Association  
American Meat Institute  
American Peanut Product Manufacturers, Inc.  
American Seed Trade Association  
American Seed Trade Association  
American Sheep Industry Association  
American Soybean Association  
American Sugar Alliance  
Animal Health Institute  
Biotechnology Industry Organization  
Corn Refiners Association  
Croplife America  
Food Products Association  
Georgia Fruit and Vegetable Growers Association  
Georgia Peanut Commission  
Grocery Manufacturers of America  
Independent Community Bankers of America  
International Dairy Foods Association  
Louis Dreyfus  
National Association of Wheat Growers  
National Barley Growers Association  
National Cattlemen's Beef Association  
National Chicken Council  
National Confectioners Association  
National Corn Growers Association  
National Cotton Council  
National Council of Farmer Cooperatives  
National Farmers Union  
National Grain and Feed Association  
National Milk Producers Federation  
National Oilseed Processors Association  
National Pork Producers Council  
National Potato Council  
National Renderers Association  
National Rural Electric Cooperative Association  
National Sunflower Association  
National Turkey Federation  
North American Export Grain Association  
North American Millers' Association  
Northwest Horticultural Council

Pet Food Institute  
Roice Belt Wharehouses  
Sweetener Users Association  
The Farm Credit Council  
The Fertilizer Institute  
U.S. Canola Association  
U.S. Dairy Export Council  
U.S. Dairy Export Council  
U.S. Dairy Export Council  
U.S. Wheat Associates  
United Egg Producers  
United Fresh Fruit and Vegetable Association  
US Dairy Export Council  
USA Dry Pea & Lentil Council  
USA Poultry & Egg Export Council  
USA Rice Federation  
Western Growers  
Western Peanut Growers Association  
Wheat Export Trade Education Committee  
World Perspectives, Inc.

EVAN BAYH

Indiana

483 RUSSELL SENATE OFFICE BUILDING  
WASHINGTON, DC 20510-1404  
(202) 224-5623  
<http://bayh.senate.gov>

1650 MARKET TOWER  
10 WEST MARKET STREET  
INDIANAPOLIS, IN 46204  
(317) 554-0750

## United States Senate

WASHINGTON, DC 20510-1404  
April 5, 2005

COMMITTEES:  
ARMED SERVICES  
BANKING, HOUSING, AND URBAN AFFAIRS  
SELECT COMMITTEE ON INTELLIGENCE  
SMALL BUSINESS  
SPECIAL COMMITTEE ON AGING

The Honorable Saxby Chambliss  
Committee on Agriculture,  
Nutrition, and Forestry  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to express my support for the nomination of Charles F. Conner to be Deputy Secretary of the United States Department of Agriculture. I understand that your Committee will conduct a hearing on his nomination on April 6, and I urge the Committee to report his nomination to the full Senate.

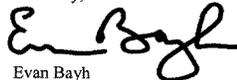
Chuck's professional experience and personal background reflect a deep commitment to agriculture. He grew up on a family farm in Benton County, Indiana, where he learned the values and common sense typical of Hoosier farmers. Chuck attended Purdue University and earned a degree in agriculture economics. In 1998, Purdue recognized his professional accomplishments by presenting him with a distinguished alumni award.

Shortly after graduation, Chuck began a long period of service to the people of Indiana when he joined the staff of our state's senior Senator, Richard Lugar. Chuck distinguished himself in both Senator Lugar's personal office and as the Senator's staff director on the Agriculture Committee. During his time on the Committee, Chuck worked on a number of key legislative items, including the 1996 Farm Bill, welfare reform, and the USDA Reorganization Act.

In 2001, Chuck became President Bush's assistant for agriculture trade and food assistance. As a member of the President's staff, he was instrumental in the 2002 Farm Bill, drought relief efforts, and a number of conservation initiatives. Chuck has also worked hard to open key foreign markets to U.S. agricultural products.

I am pleased that the President has nominated a Hoosier to help lead the Department of Agriculture and am confident that Chuck will work hard on behalf of U.S. farmers. Thank you for your consideration.

Sincerely,



Evan Bayh  
United States Senator

**Statement of Charles F. Conner,  
Nominated by the President to be Deputy Secretary of Agriculture,  
Before the Senate Agriculture, Nutrition, and Forestry Committee**

**April 6, 2005**

Mr. Chairman, Senator Harkin, Members of the Committee, I am grateful for the opportunity to appear before you this morning as President Bush's nominee to be the Deputy Secretary of Agriculture. Thank you for promptly scheduling this hearing to consider my nomination. I am humbled and honored to have been nominated to serve President Bush.

I want to begin my opening statement by thanking the man who is responsible for many of my professional successes. Senator Lugar, as most of you know, has had a profound impact on my life. You will note from my information that I was only 22 years old when Senator Lugar took a chance and offered a farm boy from Indiana the opportunity to come to Washington to work on food and agricultural policy. On the day that I started working for Senator Lugar, I left behind tearful relatives in Indiana and flew on an airplane for the first time and traveled to Washington, D.C. My life would never be the same and the next seventeen years were some of my very best. Senator Lugar, you have modeled for me a life of integrity and decency in public service and for that I will always be grateful.

And Senator Lugar has had a large impact on my personal life. He also gave an opportunity to a young woman from Fort Wayne, Indiana to work in his office. My wife Dru and I met and were married while working in his office and I will always be grateful to him for providing the opportunity for the two of us to meet. Dru and I now have four terrific children who are here with me today.

Mr. Chairman, if confirmed by the Senate, I want you to know that I will be guided by my experiences that have helped to shape my professional career over the last 24 years.

First, I have seen this committee through many leadership changes. Herman Talmage, a Democrat from Georgia, was the Chairman of this committee when I started working here in 1980. Senators Lugar, Cochran, and Leahy are the only members still serving the committee from those days. The issues have changed somewhat, but one thing that has not changed, is the fact that this Committee continues to accomplish great things through bipartisanship efforts.

During my tenure as Staff director of this committee, I hope I demonstrated my desire and ability to work with both sides of the aisle. We may disagree, but we can debate those disagreements knowing that each participant has a common goal; the goal of promoting the welfare and interest of the farmers and ranchers of this great land whose production sustains all of us. That is a value shared by Secretary Johanns and President Bush. If confirmed by this committee and the full Senate, I pledge to you that I will continue to make every effort to work with both sides of the aisle and to all regions of the country.

Secondly, my first hand experiences have developed in me an appreciation of the honor and importance of production agriculture. I grew up on a family farm. I watched my father toil

every day of his life just to provide a modest living for his family. If confirmed, I will be an advocate for all farmers and ranchers. The farmers and ranchers who provide an abundance of low cost food and fiber for this country and others around the world should be given the opportunity to earn a decent income for their family. This applies to the farmers and ranchers of Georgia or North Dakota, or Vermont, or California as well as the farmers and ranchers of Indiana.

Thirdly, I believe we must do everything we can in order to keep a competitive advantage around the globe for U.S. farmers and ranchers. This principle means that, just like President Bush and Secretary Johanns I am firmly behind our trade negotiations and their efforts to reduce tariffs and duties on our agricultural exports. It is difficult to remain competitive if big duties must be paid in order to export. I believe this can be done in an environmentally sensitive manner by using incentive based programs, many of which are targeted to working lands. To remain competitive, we must also utilize our strong agricultural research system and must get its information to the hands of producers.

Mr. Chairman, my experiences on this committee have not been limited to farm programs. The late 1980's and early 1990's were difficult years for American agriculture. The Senior Senator from Vermont, Senator Leahy, was the chairman of this committee during many of those years and we faced many difficult challenges. We tackled issues like rescuing the Farm Credit System, promoting conservation programs, providing a safety net for the poor, reorganizing the U.S. Department of Agriculture, managing our National Forest System, strengthening rural development, and others. All were priorities of the Chairman and Ranking Member and it has gone a long way toward preparing me for the awesome responsibility that if confirmed awaits me at such a diverse agency as USDA.

I close by simply thanking the members of this committee, past and present, for your help in preparing me for this job. If confirmed by this committee and the U.S. Senate, I can assure you that I will work hard to earn your support and respect and to live up to the standards exemplified by the members of this committee.

Thank you and I would be happy to answer your questions.



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**DOCUMENTS SUBMITTED FOR THE RECORD**

APRIL 6, 2005

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**Questionnaire for United States Department of Agriculture Nominees**  
**Biographical Information (Public)**

1. **Full name (include any former names used).**  
Charles Franklin Conner
2. **Date and place of birth.**  
December 30, 1957; Lafayette, Indiana
3. **Marital Status: (include maiden name of wife or husband's name). List spouse's occupation, employer's name, and business address(es).**  
Druscilla Quilhot Conner; homemaker
4. **Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.**  
1976-1980, Purdue University, Bachelor of Science in Agriculture Economics (May, 1980)
5. **Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, non profit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; including a title and brief job description.**  
  
 1980: Louisville Federal Land Bank; Bank Trainee  
 1980-1985: Office of Senator Richard G. Lugar; Legislative Assistant for Agricultural Issues  
 1985-1987: Senate Committee on Agriculture, Nutrition, and Forestry; Professional Staff Member  
 1987-1995: Senate Committee on Agriculture, Nutrition, and Forestry; Minority Staff Director  
 1989-1998: Three Rivers Angus Farm; Owner  
 1990-1997: Loray Farms Partnership; Owner  
 1995-1997: Senate Committee on Agriculture, Nutrition, and Forestry; Majority Staff Director  
 1997-2001: Corn Refiners Association; President  
 2000-Present: Quilhot Management Company; Owner through Wife  
 2001-Present: The White House; Special Assistant to the President for Agriculture, Trade, and Food Assistance.
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.  
October, 1980 – May, 1997, United States Senate (appointed)  
October, 2001 – Present, The White House (SES6, 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.  
Purdue University; Distinguished Agriculture Alumni Award, 1998.
9. **Other Memberships:** List all organizations to which you belong, excluding religious organizations.  
NONE
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.  
See Attachment #1
11. **Health:** What is the present state of your health?  
I am in excellent health.

**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
2. **List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompletd contracts and other future business 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.)**  
YES, See Attachment #2 for Details
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 governments payments and loans received or forfeited by crop and farm, etc.. during the past five years.)**  
YES, See Attachment #3 for Details
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 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 payment for crop losses from the Federal Crop Insurance program. (If yes, give details.)**  
Yes, I received \$286 in Crop Insurance benefits in 1993, \$1,503 in 1994, \$284 in 1995, and \$4,904 in 1996 through the Loray Farms Partnership. Quilhot Management Company LLC does not buy Federal Crop Insurance.

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.**  
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.**  
I am not aware of any conflicts of interest, but I will take any action necessary to eliminate any real or perceived conflicts of interest.

**STATEMENT  
CHUCK CONNER  
SPECIAL ASSISTANT TO THE PRESIDENT  
  
NATIONAL PORK PRODUCERS COUNCIL  
MARCH 7, 2003**

I am grateful for this opportunity to be here today representing the White House and the Bush Administration. This gathering is more like a family reunion for me. I have known and worked with many of you for over twenty years.

I have watched and observed as your industry has changed dramatically over the course of my career. When I began working for Senator Dick Lugar of Indiana in 1980 I obviously worked very closely with the Indiana Pork Producers. The issues that affected your industry were dramatically different then than they are today.

Industry concentration issues would not have been relevant in 1980---- virtually every farmer in Indiana had a few sows or finished off a few feeder pigs. In 1980, demand for pork was declining. International trade was virtually nonexistent.

I contrast this remarkable change with the issues facing corn, soybean, and other crop farmers. They are about the same as they were in 1980. Target prices, loan rates, drought aide, and export promotion were also high on the agenda as they are today.

But pork has been through a dynamic period. It has been dynamic on the farm and it is also no surprise that the policies are very different. I cannot imagine today a high school kid paying for his future college expenses by raising hogs and feeding them with ears of corn gleaned from his father's fields of seed corn. At one time, I had about 20 registered Chester White sows and my father insisted that I was getting too big.

I have great admiration for your leadership and those who run your Washington office. They represent you well. Because of their work, your

organization has strong support within the Bush Administration. And that support reaches all the way to the top.

President Bush was very honored to have the opportunity to speak at your annual meeting last year. I think you can appreciate that given the unfortunate times we face, the President does not have the luxury of speaking to very many farm meetings. You are a select group within this Administration.

We are honored to work closely with you and expect that relationship to continue.

When President Bush spoke to the 2002 World Pork Expo in Des Moines, he committed to work around the globe to open up markets for U.S. pork. I believe we have fulfilled that pledge and we will not stop.

In addition, we worked very hard to get you the resources you needed in the farm bill in order to take farming friendly to the next level. I cannot begin to tell you how many times I have heard the President repeat the phrase that "every day is Earth Day on America's farms".

With the farm bill conservation title we have now given you the tools for that final step in managing your discharges in a way that insures minimal environmental impact. As you know, the farm bill added over fifteen billion dollars of funding for conservation programs, with particular emphasis upon the EQIP program. It's nearly a seventy five percent increase in funding over the old law

Speaking of environmental issues, I know that most of you understand the meaning of the term CAFO's. Now when President Bush took office, the previous administration left us a few regulatory surprises including some very tough proposed regulations dealing with the regulation of animal discharges from Confined Animal Feeding Operations or CAFO's.

The Bush Administration has reworked these regulations in order to make them far more manageable for farmers. While I know that NPPC does not

like these provisions-----they will result in more legal challenges and yes they probably will cost you more, but in the end, they are manageable and they will not put you out of business.

I know that the issue of maintaining competitive markets is very important to this group. The Bush Administration knows that markets must be competitive in order to function freely. We support the efforts that GIPSA is undertaking to review current competition in the hog market and the analysis of the adequacy of the current Packers and Stockyards Act.

I understand that you have a resolution pending before this body to encourage this analysis and it will be done. We also have the good fortune to have one of your former colleagues Donna Reifschneider working for us at USDA in order to ensure that any Packers and Stockyards changes are fully implemented.

Finally, we have a major struggle in front of us with regard to the Country of Origin labeling law which was included as part of the farm bill. I know that you will also be debating a resolution dealing with this issue. We need and seek your input on these matters.

As you know, the Bush Administration opposed mandatory country of origin labeling during the farm bill debate. I know that many are beginning to recognize that this law could have a negative impact upon the very people it was intended to help.

Despite our concerns with the Country of Origin labeling law, I want you to know that we are prepared to implement this statute in the most fair and equitable manner that is possible.

Secretary Veneman announced this week a series of listening and educational sessions in 10 different states in order to gain more public input and to provide all stakeholders with as much information as possible about the new Country of Origin law. We look forward to working with you.

I am honored to have the opportunity to speak to each one of you today. I have great admiration for the State Committees and the State Executive Directors of the Farm Service Agency.

I am a political appointee of the President of the United States. Each one of you, as you know, is a political appointee. We serve at the pleasure of the President of the United States---not your congressional delegation and not your particular Senator or Congressman. While we may appreciate and support your relationships and involvements with Members of your Congressional delegation, you are here to serve this administration and this administration only.

Each one of you is out among the people of rural America. Few political appointees enjoy this benefit, but every one of you has direct contact with the farmers and ranchers who work, live, and yes VOTE in rural America. Each one of you is our ambassador to the people of rural America and farmers and ranchers in particular.

I hope you take this responsibility seriously----you are on a 24 hour a day Ambassadorship for this President. You are ambassadors in your job, you are ambassadors in what you do or say in the coffee shops. What you do professionally and personally reflect upon the Secretary of Agriculture and the President of the United States.

As you know, we are in the middle of implementing the farm bill. This legislation will likely transfer about \$170 billion to farmers and ranchers and rural Americans in the next ten years. The assistance provided by this bill is vital to many farmers and ranchers.

The Bush Administration and the President know of your toil in the last few months. By the end of this month, we will have accomplished what many viewed as impossible. You are responsible for this accomplishment. I want you to know that we appreciate it and we appreciate you. But at the same time, I want you to understand that your success is not optional. I am here and you are here to serve the interests

of our nation's farmers and ranchers. For their sake, our success cannot be optional.

I know that many of you have viewed April 1 as the finish line in a marathon race. I wish that were the case. Most of you know, and some of you know from first hand experience that many regions of our country are suffering from drought. Congress recently passed a \$3.1 billion drought relief bill---a bill that you are ultimately responsible for administering.

During a recent drought tour in Nebraska, I told a large gathering of farmers and ranchers that USDA and the Farm Service Agency had a moral obligation to get this money in the hands of farmers as quickly as is humanly possible. I do so knowing that I have committed some of you to yet another grueling run. But the alternative is unacceptable to this Secretary and this President. We cannot and will not allow any farmer or rancher in America to fail simply because he could not get the assistance already approved by the Congress in time to help.

I hope and believe that this period will pass and we will enter a phase when you can begin to look at your responsibilities on a longer term basis. We must continue to update and upgrade this agency into a more high technology service oriented agency. You have heard it said before and I will say it again. I have not set foot inside a bank in many years. Yet I make bank transactions every day. I refinance my house whenever rates change significantly.

The day will come and must come when farmers will be able to use many of the services of this agency on-line. The day will come when it will not matter which FSA office you walk into---you will be able to access your records and conduct business.

I will close with a charge to you similar to the one I gave you last year. The very best thing you can do for the President of the United States and the Secretary of Agriculture is to run your agencies well. Run them with

courtesy---remembering that you are not there to be served, but to serve. Run them with efficiency as we are all ultimately accountable to that higher authority----the taxpayers of the US. And run them with integrity---this President has a zero tolerance for any misuse of government authority or funding.

If you achieve these goals, you will have served this Administration with honor and you will depart---whenever that unknown day arrives--- knowing that you have served the President, the Secretary of Agriculture, and this Administration with distinction.

I thank you again for your willingness to serve as Ambassadors for this President and this Administration.

I appreciate this chance to be here today in order to talk about the Administration's policies with regard to biotechnology regulation.

As some of you know, Cliff and I head up a White House Interagency working group called the Ag Biotech Working Group. The principle focus of the Working Group is to review and consider long term regulatory policies for transgenic plants.

The working group was created mainly because the regulation of biotech products is shared between three Federal agencies---USDA, FDA, and EPA. As many of you know, coordination among a single Federal agency is difficult, but among three is next to impossible and the White House felt like it needed a senior level body to oversee and coordinate the activities of the three agencies as they relate to biotech and transgenic plants.

Let me just say that the ABWG does not deal with all biotech issues, particularly those with a more short term focus. ABWG is not the regulatory agency....we are the coordinating body among three Federal regulators. For example, we are not involved in the EU trade debate, as important as that issue is to the Administration and to each one of you. Our goal is to look out on the horizon and try to formulate a U.S. regulatory policy for the long run that works for a rapidly evolving and advancing technology. We want to try to get ahead of the regulatory curve for the research, testing, development, and commercialization of this industry, even though there will be many areas where we are still trying to play catch up.

Many of you are aware that we have spent the last 8-9 months trying to create a new regulatory approach for transgenic plants with particular focus upon plants designed to produce pharmaceutical and industrial products. We have now completed action on a framework agreement and the details of that agreement have been delivered to each agency of jurisdiction. They will draft the proposed regulation that will be published for public comment sometime next year.

The ABWG explored a complete review of existing regulatory structures and authorities in order to determine whether or not new legislation would be necessary in order to adequately regulate this emerging technology. We have determined that adequate authority exists under the Plant Pest Act, Plant Protection Act, as well as within existing statutes at FDA and TSCA at EPA to adequately regulate this industry. This was very good news for me. As a 17 year veteran of the Senate, I know all too well what the Senate would likely do with legislation of this type and controversy----and that outcome would probably not be very pleasing to this group.

The ABWG has reaffirmed the following principals for regulation and they are important and controversial ones:

----regulation would be based on public health and environment risk using scientifically sound assessments

----properties of the gene and not the origin of it will determine regulation

----level of regulation will be based on level of risk to public health and environment risk

For some of you, these principals may sound too logical and you may wonder if they are even worth mentioning. But some of you who follow this process closely will understand the amount of blood that has already been spilled in order to arrive at these principals and the amount of controversy that we are likely to encounter going forward. Notice that these principals do not mention markets, or acceptability or a so-called “yuck factor”.

I will pull back the curtain slightly and give you a peek at the direction we are headed. Primarily under the authorities contained in the Plant Protection Act, USDA would establish a system of regulatory controls for all transgenic plants based upon risk and familiarity. Suffice it to say that products with the greatest risk and lack of familiarity will be subject to the most stringent requirements with regard to testing, containment, and commercialization. During our rulemaking process, we will attempt to develop “regulatory tiers” that are tied directly to the product’s risk and its familiarity.

With regard to Plant-made Pharmaceuticals and industrial compounds, it will be reasonable to assume that USDA will have less familiarity with these crops engineered to produce non-food materials and it would be expected that these plants would be grown under strict permit conditions, at least initially.

However, the new regulations will recognize that some pharmaceutical and industrial compounds could also have acceptable food-use properties. Thus, in those circumstances where the developer intends for the crop to be used in food and feed as well as for pharmaceutical and industrial purposes, APHIS will differentiate their regulation based upon whether or not the compound has successfully completed a full food/feed FDA consultation or a GRAS notification, or food additive petition.

Finally, at the risk of already giving you too much information, FDA's component of this effort will be to propose a new regulation that would clarify that if food crops are modified to produce pharmaceuticals or industrial products, the compounds would be considered to be food additives and subject to enforcement action if they are found in the food supply. FDA would not require food additive petitions for these compounds produced in food crops if the crops are grown under APHIS permit requirements-----which presumably would keep them out of the food supply.

I will close with a brief comment about the timing of the proposed regulation. I don't know. We will stay focused on it, but I think you understand that this is a monumental undertaking and will require several months of work by each agency.

Finally, what's next for the Working Group: We will begin a process whereby we begin to analyze and understand the regulation of transgenic animals. I have nothing to report on it except for the fact that we will undertake this endeavor.

Thank you.

I appreciate this chance to stand on this end of the table to talk with the Ag for Biotech group. I think I would rather be on your side of the table.

Most of you are old friends and based upon that fact, I will try to play less of a game of "hide the ball" than perhaps is typical of a White House speech. Nevertheless, I would remind you that the information we share is not publication in your newsletters are client reports and it is certainly not to appear in the press. If it does, just know that this will be the last exchange we have-----either from the White House or USDA or any other agency for that matter.

Today, I am going to touch upon four areas:

1. A potential Federal register notice on Field Testing of Plants engineered to Produce Pharmaceuticals
2. An Analysis of existing authorities within current law for the future regulation of plants and animals engineered to produce biotech traits.
3. EPA's review and approval of the Corn Rootworm Product
4. The potential for a WTO case against Europe for their 4-year Approval Moratorium

With regard to the field testing issue, I think most of you are aware that APHIS has been working on a Federal Register notice seeking public comment on specific issues relating to the field testing of so-called pharma-crops. I anticipate that this FR notice will address such topics as permit confinement measures, procedures to verify compliance, and efforts to increase transparency within the entire permitting system.

The comment period will likely be sixty days, so each one of you will have ample time to give us your detailed feedback. As most of you already know, we are pretty far along in this process. White House has given its approval as have EPA and FDA. The lawyers are current mucking with it and we will go to publication as soon as they complete their mucking.

Aphis authorized over 1000 field tests during 2002, but fewer than 20 were for field tests of plants engineered to produce pharmaceutical compounds----about 130 acres total in 34 sites. But the need to move forward on revised testing procedures

is clear because we anticipate a significant increase in the number of field tests in the future.

The Administration's analysis of existing authorities has two aspects; the first is the authorities under current law to regulate, and the second is how each of these laws apply to the various stages in the development and use of a transgenic plant used to produce industrial products.

I will give you just a short preview of what I see as the likely outcome. Do we want to regulate transgenic products under statutes that were designed and written for the regulation and disposal of some very nasty and highly toxic products? It is my opinion that with some good creativity from the lawyers, we can find ample authority under these statutes to regulate transgenics in just about whatever fashion we deem necessary. But do we want to or do we want to consider asking Congress for a clean Biotechnology Regulatory Act designed specifically for our purposes. Your thoughts and guidance on this matter would be appreciated, because ultimately it would be your responsibility to sell Congress on this matter.

STATEMENT

CHUCK CONNER  
Special Assistant to the President

2004 Governor's Ag Conference

March 4, 2004

I am honored to have this opportunity to once again speak to the Governor Johann's Agriculture Conference.

This has been a very difficult period in Washington for those of us involved in agricultural policy. Following completion and successful implementation of the Farm Bill, I thought I might have a more relaxing year. My wife and four children certainly hoped that this was going to be the case, but it did not work out that way.

The U.S. Department of Agriculture, as most of you know, does a more than just implement Farm Bills. They are responsible as well for maintaining a safe and wholesome food supply as well as being responsible for protecting animal and plant health. These latter responsibilities are the reason we have had a difficult year.

Little did I know that when I spoke to you last March, a mad cow had already been found in North America. The test results would not come back for another couple of months, but when I was here last year a sample from the single case of mad cow disease in Canada had already been collected.

The Canadian case of BSE resulted in many long days and weeks of work and, as you know, the U.S. closed its borders to all Canadian cattle and beef imports. But nothing could have fully prepared us for the events of December 23, 2003 when the first case of mad cow in the

United States would be announced. Christmas Day and New Years day were like normal work days around USDA and the White House.

By December 30, following several days of front page news coverage and being a part of the scrolling ticker-tape that moves across the bottom of the cable news networks, we were in a position to announce several bold actions that I believe were responsible for maintaining consumer confidence in beef and helping to set the stage for a recovery in beef prices.

The most significant of the actions announced on December 30 was the ban on downer cattle entering the food supply. I have been around cattle my entire life and I know----as you do----that once in a while you will get an animal that will get spooked and end up hurting its leg in route to slaughter. It is unfortunate, but these animals will no longer be allowed into processing. In order to enter the human food supply, an animal must now be fully ambulatory, or in other words, they must be able to walk into the chute at the processing plant. For some cattlemen, this could result in less income for your operation because processing plants are not going to accept injured livestock.

But our evidence suggests that most cattle injured in transport to slaughter are injured because they have some evidence of central nervous system disorder that led to their injury. CNS is one of the key symptoms of a cow that might have BSE and it was imperative that we take bold action to assure the American consumer that these products were no longer in the food supply.

Thus far, the evidence we have seen suggests that consumer confidence in the safety of beef is actually higher than it was prior to our confirmed case of BSE. Beef prices as you know, plummeted from their high in early December of about \$85 to less than \$70. But they have since recovered much of what they lost after Christmas.....I think we are back to around \$80 again.

Keeping beef on America's table was very important to the Bush Administration. Both President Bush and Secretary Veneman stated during the holiday season that they were eating beef for dinner. Maintaining the integrity of this market was also important to the overall state of the farm economy. The Bush Administration is pleased that the farm economy has responded favorably to the economic and farm plan that we have put into price. Net Cash Farm Income was at an all time record in 2003-----over \$65 billion. Agricultural exports were at a near record level.

Now I have been around farming and ranching for a long time and I know that we tend to temper our enthusiasm for good years because the next year is usually when the bottom falls out. Record prices almost always results in record production which forces prices to drop.

Now I am not am the business of giving you marketing advice, but I will just say that I think this period may be an exception to this rule. First of all, we have already had a record corn crop. 2003 was the largest corn crop in history. Yet, prices did not fall. As a matter of fact, demand has produced very good prices despite the record crop. Just this week, my brother sold old crop corn for over \$3.00 per bushel. ....not too bad following a 10 plus billion bushel corn crop. The reason they did not fall is because world stocks of coarse grains are at their lowest level in recorded history (repeat). I believe this farm recovery will be sustainable and export demand will help us to make this happen.

Having spent this time talking about the strength of the farm economy, I have not forgotten the reason I was here last year. While better than a year ago, your state continues to suffer from too little moisture particularly in the western third of your state.

When I was here last year, 2/3 of the State was rated as being in extreme drought. You had a large pocket in the southern part of your State that was rated as an exceptional drought-----the worst category for drought

used by USDA and the Drought Mitigation Center at the University of Nebraska.

My tour of Nebraska was unpleasant. It is always difficult to here of the difficulties faced by farmers and ranchers particularly when it involves matters that are totally beyond their control. I traveled with Governor Johanns and we met with many producers. It was during those discussions that the idea of using surplus stocks of government owned nonfat dry milk came up. Ranchers needed some kind of feedstuff to help carry them through to spring grasses and the Government was sitting on enormous stocks of nonfat dry milk-----1.3 billion pounds. Much of this stock was no longer fit for human consumption and was being stored at an enormous expense to taxpayers. It seemed like a good fit and we went to work on a program.

From July of 2003 through January of this year, the State of Nebraska received over 60 million pounds of surplus nonfat dry milk. The commercial value of this product was over \$50 million. No government program can replace lush grasses and plentiful rains, but this was a significant amount of product for feed and I hope it helped carry you through the worst of this lingering drought.

I am grateful to Governor Johanns for his work in helping us put this program together and for coming to Washington last May in order to help us announce this program. Thirteen of the worst drought stricken states received over 330 million pounds of nonfat dry milk for feed.

It is an honor for me to be home and to be with my many long-time friends at the Indiana Farm Bureau. I have many fond memories of this organization and the people who have represented your organization over the years.

Most of you know that I grew up with the Indiana Farm Bureau. My father was a life-long Farm Bureau member. My family was for many years in charge of the "Pet and Hobby" program in Benton County. Farm Bureau was the center of much of my early life.

My early experiences with Farm Bureau, however did not prepare me for understanding the impact that the Indiana Farm Bureau has had on the policies affecting farmers and rural Americans.

Many of you have heard this story before, but it bears repeating. Most of you know that I began working for Senator Lugar in 1980. I was a young greenhorn in those days; .....fresh off the farm.....fresh out of Purdue..... and ready to make my impact on Washington. My very first meeting of the Senate Agriculture Committee was a moment of high drama. I was determined to have Senator Lugar fully prepared for any situation.

We were discussing dairy policy and I had prepared a notebook full of every dairy statistic imaginable. It included charts, graphs, and analysis of the dairy sector. In short, I was ready for any question that Senator Lugar might throw at me. Well.....the moment I prepared for came and as expected, the debate was vigorous. I could see Senator Lugar starting to look over his shoulder to ask me a question. I was ready with my trusty notebook in hand. Senator Lugar turned slowly to me and asked, "what's Indiana Farm Bureau's position". As you might expect, the answer to this question was not found in my notebook. There was not a chart or economic analysis to help me answer his question.

It was not too long after that incident that I made it a point to get to know your former distinguished President Marion Stackhouse and your Vice President for Government Affairs Don Henderson. It was a tough lesson for a young kid.

Several years later when I considered myself a more seasoned veteran of Capitol Hill....we were working on legislation for Senator Lugar dealing with a trade matter. By this point, I had a very large staff working under me and we had done a lot of work preparing to introduce this legislation. Now my sister in law was Senator Lugar's scheduler at the time and I remember getting a call from her on the morning we were scheduled to introduce the legislation. She said " Chuck,

I am not sure what's going on, but Marion Stackhouse is on the phone with Senator Lugar and he did not sound too happy". I immediately knew that I had done it again. I had gotten ahead of the Indiana Farm Bureau and this was dangerous territory. Marion did not like my bill and he persuaded Senator Lugar to hold off. As far as I know, that bill and all its supporting documents are buried somewhere in Senator Lugar's filing system.

Throughout my 23 years of working on agricultural policy, I have seen a lot of ups and downs in farming. When I first arrived in Washington, the Ag economy was relatively strong, but went into a deep recession shortly thereafter. This was a very difficult period for farmers and certainly very difficult to represent farmers in Washington. Much of my normal day was spent trying to help Indiana farmers avert foreclosure.

I have seen the highs and I have seen the lows and I have been around long enough to know that no matter how strong the farm economy grows, there will be geographic pockets that are not sharing in the prosperity.

I know that it is always risky to talk about the farm economy in a positive way. Politicians love to talk about how bad things are in the farm economy. They want to feel your pain and they are quick to share a tale of woe rather than another success story.

In any event, I stand before you today to indicate that I believe we have made great strides in restoring long term prosperity to the U.S. farm economy. The U.S. Department of Agriculture currently estimates Net Cash Farm Income for 2003 at \$65.2 billion---up an incredible 33 percent from 2002. This would represent the first time in our history that net farm income has exceeded \$60 billion and we have not just exceeded it, we have greatly exceeded it.

Let me put this in a different context. Many today are making a spectator sport out of saying that our economy is headed in the wrong direction. U.S. agriculture represents about 15-16 percent of our Gross Domestic Product---a substantial percentage and even larger in many rural states. A sizable percentage of our economy is not only in recovery -----it is having its very best year on record.

The enthusiasm for the good years in farming are often tempered by the fact that good years are often followed by tremendous surplus production and rock-bottom prices. Now I am not going to make future price predictions, but let me point to

two facts that may suggest that this recovery may be more sustainable than recoveries of the past.

First, we have already experienced that record breaking corn crop because of strong demand prices have not collapsed, but continue to remain much stronger than anticipated.

Secondly, this price recovery may be sustainable because we are now experiencing our fourth consecutive year for which global grain consumption has exceeded global grain production. World stocks to use ratio's for grain are at their lowest level in recorded history----about 16 percent. The world needs U.S. grain supplies and are willing to pay for them.

Other economic points of interest:

Exports are likely to be second highest on record---\$59.5 billion estimate for 2004. Exports to China alone are up 28 percent and expected to grow to \$5.4 billion by 2004.

Land prices have risen another 4.7 percent here in the corn belt. Farm debt is down.

Corn prices are strong despite the record crop.

Very high soybean prices show no sign of rationing demand so far.

Hog prices have made an great recovery

Beef prices are at record levels, driven by new demand for beef.

And Finally, the egg industry is having one of its best years on record.

All of this amounts to very good news for Indiana Agriculture and all the small towns scattered across our great state.

Let me wrap up today by sharing a few experiences from my two years at the White House as Agriculture Advisor to President Bush.

President Bush promised during his campaign in 2000 that, if elected, his Administration would be farmer-friendly. This commitment as you know resulted in the President winning most key agricultural states and regions in the country.

I hope that the policies and actions of the Bush Administration have not disappointed you and I hope we continue to act in a manner that you consider as farmer friendly. Let me site a few quick examples.

When I first started working for Senator Lugar in 1980, one of the biggest issues for Farm Bureau was repeal of the estate tax. At the time, you could not pass on an 80 acre track of good Indiana farm land without triggering a significant estate tax. We made some headway in those days, but estate taxes remained a significant burden for farmers and small business. President Bush promised to eliminate this burden and repeal the death tax. His tax reform bill which passed in 2001 eliminated the death tax.

Now many of you know that some in Congress strongly support the notion that the government should be able to take 70 percent of what someone has built in there lifetime of work. And they insisted that the elimination of estate taxes be sunset so that the taxes return in 2011.

Those in Congress who like estate taxes are going to try to persuade you that we can take care of agriculture problems through the exemptions process and there only desire is to make sure that the Bill Gates's of the world pay the tax.

This is a very slippery slope. You and I understand that the business of farming has historically been a high asset and low return on investment business. 3 to 4 percent return on capital is considered a normal year in farming. What this means is that if you have a \$1 million in assets.....you may expect a \$30-40,000 return in a normal year. This hardly puts you in the category of America's rich and famous, yet some suggest that we can take care of agriculture's concern with this type of exemption level.

I hope you will continue to oppose those who want to reinstate the death tax.

Other aspects of the President's tax package are estimated by USDA to save farm families \$2-4 billion in taxes in 2003.

In behalf of the President, I also want to express our gratitude to the Indiana Farm Bureau for your support of the Energy Bill. It is unfortunate that we have yet to

get enough votes to end the filibuster in the Senate. This bill, as you know, contains provisions that are enormously important to the future of American Agriculture.

USDA estimates that passage of the Energy Bill would increase Net Farm Income by \$2-4 billion by 2012. The price of corn is expected to increase 10 cents to 30 cents per bushel if this bill were to be enacted.

President Bush has not given up hope on passing a comprehensive energy policy for this country, and I hope we will continue to have your support for this effort and efforts to increase the use of ethanol and biodiesel.

As you also know, earlier this week the President signed into law the so-called Medicare bill which contains for the first time a prescription drug benefit for Seniors. But in addition, this law provides significantly greater resources for rural hospitals and Medicare reimbursement rates. This will enable many rural hospitals and health care facilities to remain open that otherwise might be forced to close their doors.

Mr. Charles F. Conner

Special Assistant to the President for Agriculture, Trade, and Food Assistance

I think most of you know that the President of the United States is about as no-nonsense as a Texan can be. In this context, I am going to lay out for you why I think the farm economy is on sound footing and why I think we should stay the course in our farm, food and trade policy.

I know this is risky. American agriculture is diverse and spreads to every state in the country. For every point I am going to make, I know that there are real-life exceptions. And these exceptions take the form of a farm family that is struggling to hang on for another year.

Four years ago, America's farm economy was in trouble. Net cash farm income was below the ten-year average and government payments were accounting for a growing share of farm income.

The President did not shy away from lending a helping hand during this period. I think most of you know that the President's decision to support and sign the 2002 Farm Bill was controversial-----to say the least.

During the two days before the President signed the farm bill, we suffered through blistering editorials in virtually every major large city newspaper across America. The message was consistent----the President should veto the farm bill.

The President, as you know, did not veto the Farm Bill. He signed it with enthusiasm and reminded all Americans that "the success of America's farmers and ranchers is essential to the success of the American economy." To date, that Farm Bill has added over \$20 billion to total farm receipts.

By 2003, net cash farm income reached a record \$66 billion and the amount of income coming through government payments had declined significantly

I have a sheet of paper hanging next to my desk. The paper lists all of the previous agricultural records broken since the beginning of 2003.

Obviously, this list is headlined by record net cash farm income, record farm equity, and the index of prices received by farmers has broken a new record in each of the last several months.

To continue on.....Ethanol use set a record. The all-milk price and pork exports set records. And we had near record soybean prices just to name a few.

I will not dishonor our great agricultural system by attempting to take credit for these records, nor would the President want me to do so. Our food and agricultural system is the envy of the world not because of what goes on in Washington, but because of the hard work of people like you who put your labor and capital on the line every day in order to

provide Americans and much of the world with a safe and affordable food supply.

But the Bush Administration has successfully come along side American farmers in order to make sure that the government was not an impediment to their efforts to provide for their families.

President Bush's Economic Recovery Tax Act will allow farmers and ranchers to keep and invest an additional \$4 billion of their hard earned money in 2004. A pretty sure way to improve farm income is for Washington to take less of what you earn.

Those who believe that Washington spends your money better than you do will try to make you believe that only a handful of the rich corporate farms saw relief. This is not the case. Eighty six percent of farmers saw tax relief under this legislation.

Death taxes have been eliminated. Farming has always been a high asset value and low return business. It takes a lot of assets to produce a modest return in farming and taxes on an estate are especially unfair to American farms and ranches. President Bush eliminated death taxes, but they are scheduled to return. We need your help to make sure that does not happen.

One of the first decisions made by President Bush early in his first term was to deny California a waiver from the oxygenate provisions of the Clean Air Act. Since this decision, demand for clean-burning ethanol has nearly doubled. Over 1.3 billion bushels of the U.S. corn crop will go for ethanol production this year. And as Minnesotans know, farmer-

owned ethanol plants are springing up in small cities and towns all over the mid-west and creating good jobs for many rural Americans.

President Bush also recognizes that farmers are coming under increasing environmental pressures. This is particularly true in a state like Minnesota with its many fresh-water lakes and important wildlife habitats. President Bush often uses the phrase **“every day is Earth Day on American farms and ranches.”** This Administration has worked hard to give you the resources to help meet your environmental challenges without burdening you with additional costs. The Farm Bill increases funding for conservation by an unprecedented seventy percent and most of this money will go directly to farmers and ranchers.

I will close with a point about agricultural trade. I am very aware that a message in support of increased trade is not suppose to be given in the upper mid-west. But the issue cannot be avoided within agricultural circles. Today, agricultural productivity is three times greater than the growth in population of the U.S. We will need substantially fewer

farmers in America unless we are successful in opening up new markets outside our borders.

The Bush Administration has concluded seven new trade agreements that will bring expanded market opportunities for American farm products. These markets have 119 million consumers with annual incomes in excess of \$820 billion. This is how we are going to keep the next generation on the farm.

I am well aware that with any new trade agreement, you will have “sensitive” commodities. I think we have shown by our actions that we are aware of the need to make special arrangements for these commodities and some of you in this room probably produce some of these commodities.

China is now part of the WTO and farm exports have tripled to this country since 2001. They now account for 10 percent of our farm exports and are the largest buyer of U.S. soybeans.

I will close by acknowledging to you that we continue to have many trade difficulties and we have a lot of work to do to make sure that other nations are living up to their end of the bargain. We look forward to working with you in order to make this happen for our nation's farmers and ranchers.

Thank you

**Attachment #2**

My in-laws, A. Russell and Jeanette S. Quilhot, have owned farmland in Benton and Warren counties in Indiana since the mid-1980s. In 1989/1990, my in-laws, for estate planning purposes, formed a limited liability corporation under the name Quilhot Management Company, LLC. Mr. and Mrs. Quilhot transferred assets to the LLC including the farmland in Benton and Warren counties. In addition, Mrs. Quilhot transferred \$200,000 in cash from each of her six children's irrevocable trusts into the LLC. Mrs. Quilhot, at that time, was the sole trustee of my wife's trust. Total assets in Quilhot Management Company are approximately \$5 million, including approximately 600 acres of farmland. My wife's owns a non-controlling interest in the LLC of \$200,000 (approximately 4 percent). We have derived no reportable income from the LLC.

The farmland owned by Quilhot Management Company LLC is leased on a 50/50 crop-share basis to my brother, Michael R. Conner, who is a full time farmer in Benton County, Indiana. The land is typically planted to corn and soybeans.

## BACKGROUND INFORMATION RELATING TO QUILHOT MANAGEMENT COMPANY, LLC

In the mid 1990's, A. Russell Quilhot, father in law of Charles Conner, retired from the Medical Protective Company, a closely held medical malpractice insurance company based in Fort Wayne, Indiana. Shortly after Mr. Quilhot's retirement, the company was sold to a division of GE Capital, creating a significant amount of liquid assets for the family. Subsequent to the sale, Mr. and Mrs. Quilhot selected The Bessemer Trust Company to help manage and invest this newly created liquid wealth on behalf of themselves and their six children.

Druscilla Conner, wife of Charles Conner, is one of the Quilhots' six children. At the time of the sale of Medical Protective, each of the six children had a trust account that Jeanette Quilhot served as trustee of until each child reached 45 years of age. The Quilhot's had previously transferred shares of Medical Protective stock into these trusts for estate planning purposes. The sale of Medical Protective provided liquidity to each of the six children's trusts.

Following Mr. Quilhot's retirement, Mr. and Mrs. Quilhot founded Quilhot Farms, Inc. in Whitley County, Indiana. The primary purpose of the farm is to raise and breed Morgan horses. The farm also grows various grain crops that are ancillary to this horse operation. Mr. and Mrs. Quilhot own 100% of this corporation. In addition to acquiring various contiguous farms in Whitley County, Quilhot Farms also acquired several parcels of farm land and outbuildings in Benton County and Warren County, Indiana. This Benton and Warren County land was identified and later farmed and overseen with the assistance of the family of Chuck Conner, the husband of Druscilla and the son in law of Russell and Jeanette Quilhot. The proximity of Mr. Conner's family and their ability to farm the Benton and Warren properties was a crucial factor in the decision of Quilhot Farms to invest in real estate over 100 miles away from their base of operations in Whitley County. Quilhot Farms employs several full-time farm managers to oversee its operations in Whitley County, and relies upon the brother of Mr. Conner to farm the land in Benton and Warren Counties.

In late 1999, upon the advice of The Bessemer Trust Company and their attorney and accountant, Mr. and Mrs. Quilhot formed Quilhot Management Company LLC. This new entity was designed to serve two main purposes. First, it was designed to have a net worth of \$5,000,000 or more. This would allow the new vehicle to serve as an accredited investor for SEC purposes, capable of investing in several Bessemer investment vehicles. More specifically these were Bessemer Sand Hill Investors Fund LLC, FEIN 52-2280002 and Old Westbury Venture Capital Fund II LLC, FEIN 13-4051272.

The second purpose was to create a vehicle which could for estate planning purposes provide a means to shift wealth to the six children of Mr. and Mrs. Quilhot, thereby reducing future estate tax at the death of the second to die of Mr. and Mrs. Quilhot. This could be accomplished through future appreciation of the assets contributed to or acquired by the LLC or also through future gifts from Mr. and Mrs. Quilhot of LLC interests to their six children.

Quilhot Management LLC was organized and capitalized in late 1999 and early 2000. Mr. and Mrs. Quilhot contributed assets to acquire a 28 % ownership percentage each. Quilhot Farms, Inc. acquired a 20% ownership interest in the LLC by contributing all of its ownership interest in the land, buildings and

other various farm assets it owned in Benton and Warren Counties. Operation of that farm land remained the same, with simply the ownership being pushed down into the new LLC. The final 24% of the new LLC's ownership went 4% each to each of the six Quilhot children. Mrs. Quilhot, as trustee of their trusts, withdrew \$200,000 from each child's trust and invested it on their behalf in the newly formed LLC.

As a result of the formation of Quilhot Management LLC in 1999, each of the six children, including Druscilla Conner, acquired an indirect 4% interest in the existing Benton and Warren County farm operations as a result of the contribution of those assets by Quilhot Farms, Inc. into the newly formed LLC.

Since inception, the investors in Quilhot Management LLC have reported cumulative taxable losses equal to approximately 20% of their original investment. In addition, as non-managing members, the six children have no say in the running of the day to day operations of the LLC or its underlying investments.

With regard to the farming operations within Quilhot Management LLC, the land is leased on a 50/50 crop share lease to Michael R. Conner, brother of Charles Conner. The land is enrolled in USDA farm programs and program payments are divided evenly between landlord (Quilhot Management LLC) and tenant (Michael R. Conner). For calendar year 2004, Quilhot Management, LLC received \$7151 in direct and counter cyclical payments, \$5477.46 in loan deficiency payments, and \$745 in CRP payments. In 2003, QMC received \$9056 in direct, counter cyclical, loan deficiency payments and CRP/filter strip payments. In 2002, QMC received \$6245.35 of the same payments and \$24,080 in 2001.

April 1, 2005

Honorable Saxby Chambliss  
Chairman  
Committee on Agriculture, Nutrition, and Forestry  
United States Senate  
Washington, D.C. 20510-6000

Dear Mr. Chairman:

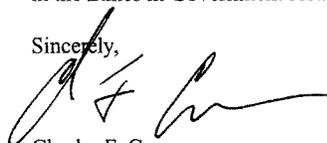
On March 15, 2004, a copy of my SF-278, Executive Branch Public Financial Disclosure Report, required in connection with my nomination to serve as Deputy Secretary for the Department of Agriculture was submitted to the U.S. Office of Government Ethics. That report contained all required financial information for calendar year 2004 and for the current calendar year through January 31, 2005.

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 April 6, 2005. The purpose of this letter is to report that since I filed my Financial Disclosure Report, I earned no income other than a Federal salary of \$7,280.

Additionally, the Committee on Agriculture, Nutrition, and Forestry questioned my responses to three questions in the public portion of my Senate Questionnaire which I would like address here. For my responses to questions 1 & 2, I would like to clarify that I retain a 4% non-controlling financial interest in the Quilhot Management Company, LLC through my spouse. Additionally, for my response to question 6, I would like to clarify that I divested of my interest in the Loray Farm Partnership in 1997.

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

Sincerely,



Charles F. Conner  
Nominee for Deputy Secretary of  
the Department of Agriculture

cc: Hon. Marilyn Glynn, Acting Director, US Office of Government Ethics  
John Surina, USDA Designated Agency Ethics Official



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

March 17, 2005

The Honorable Saxby Chambliss  
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 Charles F. Conner, who has been nominated by President Bush for the position of Deputy Secretary, 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 March 15, 2005, from Mr. Conner to the Department's ethics official, outlining the steps that Mr. Conner 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 Mr. Conner is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marilyn L. Glynn".

Marilyn L. Glynn  
Acting Director

Enclosures

March 15, 2005

Mr. 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 explain 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 Deputy Secretary, Department of Agriculture, and as traditional, also as a board member of the Commodity Credit Corporation (CCC). The steps detailed below take into account any potential conflicts or appearances thereof associated with these positions.

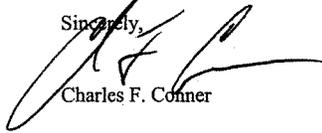
Overall, I understand that, as required by 18 U.S.C. § 208(a), I may not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I further understand that the interests of the following persons are imputed to me: my spouse, my 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.

My spouse owns a 4% non-controlling interest in the Quilhot Management Company, LLC (QMC). This corporation owns QMC Farms in Benton and Warren Counties, Indiana which is currently leased on a 50/50 crop share lease to a family member. Neither I, nor my spouse or minor children have any management role in QMC or QMC Farms, or are actively engaged in the farming operations conducted on such lands. During my tenure as Deputy Secretary, neither I nor my spouse will assume any office or exercise any management responsibility with or concerning either QMC, or its holdings, including QMC Farms. The only income from my spouse's ownership interest in QMC, during my tenure, is and will continue to be a receipt of a proportionate share of the corporation's profits. Included in the corporation's profits are payments received by QMC as a result of its participation in the Direct and Counter Cyclical Payment, Loan Deficiency Payment, and Conservation Reserve Program administered by the Department of Agriculture (USDA). These programs are administered by USDA through the Commodity Credit Corporation (CCC) on which the Deputy Secretary serves as a board member. I understand that, upon appointment, I will be issued a waiver in accordance with section 208(b) which will waive the restriction of section 208 to allow me to participate personally and substantially in particular matters of general applicability that would have a direct and predictable affect on QMC and QMC Farms. However, this waiver will not extend to particular matters involving specific parties in which either

QMC or QMC Farms is a party or represents a party. It also will not apply to particular matters of general applicability that otherwise are likely to have a specific affect upon QMC or QMC Farms. Accordingly, on such matters, I will, under 18 U.S.C. § 208(a), disqualify myself. Further, pursuant to 5 C.F.R. § 2635.502, I have a "covered relationship" with the lessee of QMC Farms. Accordingly, during my tenure, I will disqualify myself from participating personally and substantially in any particular matter involving specific parties in which the lessee of the corporation is a party, or represents a party, unless I have received an authorization pursuant to § 2635.502(d).

I believe that the steps I have agreed to take, as outlined above, will assure that no conflict of interest or appearance thereof will exist between my personal financial interests on the one hand, and the duties I will perform as Deputy Secretary of Agriculture and as a member of the Board of Directors of the CCC on the other.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. F. Connor', written over the word 'Sincerely,'.

Charles F. Connor

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

5010-108 (02/2000)  
5 C.F.R. Part 2634  
U.S. Office of Government Ethics

Reporting Status (Appropriate Agency)		Calendar Year Covered by Report	New Entrant, Nominee, or Candidate	Termination Date (If Applicable) (Month, Day, Year)	<p><b>Fee for Late Filing</b> 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.</p> <p><b>Reporting Periods</b> Incumbent: 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 of any applicable Part II of Schedule D is not applicable.</p> <p><b>Termination Filers:</b> The reporting period begins at the end of this period covered by your previous report and ends at the end of the reporting period of Schedule D is not applicable.</p> <p><b>Nominees, New Entrants and Candidates for President and Vice President:</b> Schedule A—The reporting period for 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.</p> <p><b>Schedule C, Part I (Liables):</b>—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.</p> <p><b>Schedule C, Part II (Agreements or Arrangements):</b>—Show any agreements or arrangements as of the date of filing.</p> <p><b>Schedule D:</b>—The reporting period is the preceding calendar year and the current calendar year up to the date of filing.</p>
<p><input checked="" type="checkbox"/> Incumbent</p> <p><input type="checkbox"/> New Entrant, Nominee, or Candidate</p>			<input checked="" type="checkbox"/>		
<p>Reporting Individual's Name Comner</p>		<p>First Name and Middle Initial Charles F.</p>			
<p>Position for Which Filing Deputy Secretary of Agriculture</p>		<p>Department or Agency (If Applicable) U.S. Department of Agriculture</p>			
<p>Location of Present Office (or forwarding address) The White House, 1600 Pennsylvania Ave., Washington, D.C. 20502</p>		<p>Telephone No. (Include Area Code) (202) 456-2800</p>			
<p>Position(s) held with the Federal Government during the preceding 12 Months (If Not Same as Above) Special Assistant to the President</p>					
<p>Presidential Nominee Subject to Senate Confirmation</p>		<p>Do You Intend to Create a Qualifying Disinterested Trust? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>			
<p><b>CERTIFICATION</b> I CERTIFY that the statements I have made on this form and all attached supporting documents are true and correct to the best of my knowledge.</p>		<p>Signature of Reporting Individual <i>[Signature]</i></p>		<p>Date (Month, Day, Year) 3/15/05</p>	
<p><b>Other Review (If desired by agency)</b></p>		<p>Signature of Other Reviewer <i>[Signature]</i></p>		<p>Date (Month, Day, Year) 3/15/2005</p>	
<p><b>Agency Ethics Official's Opinion</b> In compliance with applicable laws and regulations (subject to any comments in the box below).</p>		<p>Signature of Designated Agency Ethics Official/Reviewing Official <i>[Signature]</i></p>		<p>Date (Month, Day, Year) 3/17/05</p>	
<p><b>Office of Government Ethics</b></p>		<p>Signature <i>[Signature]</i></p>		<p>Date (Month, Day, Year) 3/17/05</p>	
<p>Comments of Reviewing Official (If additional space is required, attach a separate sheet of paper.)</p>		<p>(Check box if filing extension granted &amp; indicate number of days)</p>		<p>Schedule A aggregated asset value and/or income meets reporting thresholds.</p>	







SI 278 (REV. 02-2007)  
 S.C.F.R. Part 204  
 U.S. GOVERNMENT PRINTING OFFICE: 2007  
 Reporting Individual's Name  
 Conner, Charles F.

Page Number

**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 \$20)" is checked, no other entry is needed in Block C for that item. BLOCK C										Date Acq. Exp. Pr. J Coh. if Honorary			
	Type	Amount	None (or less than \$20)	\$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	Over \$5,000,000				
1 <input type="checkbox"/> Union Pacific Corporation* Xilinx Incorporated	Dividends	\$1,001 - \$15,000	X													
2 INTENTIONALLY BLANK	None															
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\* 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 category.  
 Prior Editions Cannot be Used.















**SCHEDULE A continued**  
 (Use only if needed)

Page Number  
 Reporting Individual's Name  
 Conner, Charles F.

Assets and Income BLOCK A	Valuation of Assets at close of reporting period BLOCK B		BLOCK C																			
	None (or less than \$1,001)	Over \$1,000.000	None (or less than \$201)	Dividends (Capital Gains)	Interest	Trusts and Royalties	Other Income (Type & Amount)	Date (Mo., Day, Yr.)	Amount													
									Over \$5,000,000	Over \$1,000,000*	Over \$500,000	Over \$100,000	Over \$50,000	Over \$20,000	Over \$10,000	Over \$5,000	Over \$2,000	Over \$1,000	Over \$500	Over \$200	Over \$100	
1 Bessemer Trust Andrew Conner ARQ & JSQ IRR FBO consisting of:																						
2 Bessemer Sweep Vehicle (MM Fund)**																						
3 Bessemer Large Cap Fund																						
4 Bessemer Mid Cap Fund																						
5 Bessemer International Fund																						
6 Bessemer Capital Op Fund F																						
7 Bessemer TR FDA (Com Stock Fund)																						
8 Bessemer TR FDA (Non-US Sec)																						
9 Bessemer TR FDA (Non-US Sec)																						
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5010-106 (07/2009)  
 SCHEDULE 7054  
 U.S. Office of Government Ethics

Reporting Individual's Name  
 Conner, Charles F.

**SCHEDULE A continued**  
 (Use only if needed)

Page Number

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 (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*	Over \$50,000,000	Excepted 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*	Over \$5,000,000			
Type	Amount										Type										Other Income (Specify Type & Amount)	Date (Mo., Day, Yr.) Only if Honorary					
1 <input type="checkbox"/> None <input type="checkbox"/> Bassamer Trust consisting of: Carter ARQ & JSQ IRR FBO																											
2 Bassamer Sweep Vehicles (MM Funds)* South Bend Ind Redeem Auth Lease Rev																											
3 BTN CTF Gen Muni Bond Fund BTN CTF Large Cap Eq Fund BTN CTF Mid Cap Fund																											
4 BTN CTF International Fund* South Bend Ind Redeem Auth Lease Rev BTN Capital Op Fund (F)																											
5 BTN-Com TR Fund (Non-US Sec)																											
6 INTENTIONALLY BLANK																											
7 Kathryn Conner IM consisting of: Old Westbury Mid Cap Eq Fund* Old Westbury International Fund* Old Westbury Large Cap Eq Fund																											
8 Old Westbury Fixed Inc Fund Old Westbury Large Cap Eq Fund																											
9 INTENTIONALLY BLANK																											

\* 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, the other higher category should be used.  
 Print Editions Cannot be Used.



SI 278 (Rev. 03/2000)  
 I.C.F.R. Part 204  
 Campaign Finance Statement Form

Reporting Individual's Name

Comer, Charles F.

Page Number

**SCHEDULE D**

**Part I: Positions Held Outside U.S. Government**

Report any positions held during the applicable reporting period, whether or not they are related to those of an officer, director, trustee, research partner, consultant, representative, or employee, of

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.

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**QUESTIONS AND ANSWERS**

APRIL 6, 2005

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**RESPONSE TO QUESTIONS SUBMITTED TO DEPUTY SECRETARY  
DESIGNATE CHARLES F. CONNER BY SENATOR MAX BAUCUS**

1. I am very concerned the way the USDA handled the rulemaking process in regards to cattle and beef trade with Canada. There was a lack of transparency and producer input in the rulemaking process. There was also gross miscommunication within the department that allowed banned items to enter the United States without public notice. What do you plan to do to improve transparency, increase producer input, and improve communication within USDA?

**Response:** I believe that transparency is key to ensuring public confidence. I will help to ensure that this transparency and effective communication with our stakeholders continues in the years ahead. The BSE minimal-risk rule was published in the *Federal Register* on 2 separate occasions, both for 60-day comment periods, thus allowing ample time for producers and other interested parties to review and comment.

Secretary Johanns has also stated, and I agree, that a valuable lesson was learned when it was revealed that some processed meat products not specifically announced by USDA as enterable had indeed been shipped to the United States from Canada. While properly employing risk mitigation measures for animal and public health, APHIS should have alerted the public and USDA officials to the further expansion of permitted products. APHIS should have made clear the processing safeguards employed in Canada to negate the risk of cross-contamination. Nevertheless, USDA acted immediately to clarify the protocols by which these determinations are made and publicized, and I will do my part to continue to focus efforts on transparency and effective communication.

2. I was pleased to hear last week that Japan's Food and Safety Commission announced that it is safe to change Japan's domestic testing requirements for BSE. This is a positive sign that Japan is following sound science in its process to allow U.S. beef to re-enter its borders. As Deputy-Secretary how do you plan to engage Japan and push it and other Asian countries to lift their bans on U.S. beef?

**Response:** The Bush Administration has been engaged with the Government of Japan (GOJ) at the technical and political level since it banned U.S. beef in December 2003. The decision made by the Food Safety Commission was a step in the right direction; however, we are not pleased with how long Japan is taking to lift its import ban. It is time for Japan to take political action and complete its regulatory process to change its BSE cattle testing requirements and other procedures, which will allow U.S. exporters to sell beef and variety meats from animals less than 21 months of age.

With regards to other markets, I am pleased to report that Taiwan has opened its border and trade is expected to resume as of April 16, 2005. In Hong Kong, USDA continues to work with government officials and are waiting for a formal response to the latest proposal. In Korea, technical discussions are scheduled for late April to address specific questions and concerns identified by the Korean government. In other markets, USDA

continues to address questions and concerns about BSE and U.S. measures to ensure beef safety.

If confirmed as Deputy Secretary, I will work closely with the Secretary and others in the Bush Administration to make further progress in opening Asian markets to U.S. beef.

3. In talking to farmers and ranchers across Montana and, most recently last week while I was in Miles City at a livestock auction, I have heard a great number of concerns pertaining to the implementation, or lack thereof from their perspective, of the agricultural disaster assistance program that President Bush signed on October 13, 2004.

It is now April 6, 25 days after sign-up was supposed to begin and a great number of Montana producers are having significant difficulty in sign-up for these programs.

Producers have financial obligations to meet and are making financial decisions for the upcoming year. It is critical that these "glitches" in implementation be worked through immediately so producers may begin to get this much deserved and long-overdue assistance.

When may Montana producers expect to sign-up and receive payments?

**Response:** The Montana Farm Service Agency county offices began taking applications for the Crop Disaster Program (CDP), Livestock Assistance Program (LAP), and the American Indian Livestock Feed Program (AILFP) on March 14, 2005, as announced. Payments for CDP began on March 29, 2005, and, as of April 11, 2005, nearly \$858,746 has been paid to Montana farmers. LAP application software was delivered to county offices on April 7 and payments will begin as soon as possible.

4. The Senate budget resolution calls for a reduction in mandatory agricultural programs of \$5.4 billion over 5 years. The budget resolution put \$2.8 billion of those savings on the fast track through reconciliation instructions.

I was one of the farm bill negotiators and a supporter of that legislation. I disagree with some of the provisions within the law. But the 2002 farm bill represented a delicate balance among diverse interests.

The President's Budget assumes a reduction in the agricultural budget. What programs is the Administration proposing to reduce funding for and why? Why do you believe agriculture should shoulder more than 16% of the reconciliation cuts in the Senate budget resolution at this time? How do you anticipate these cuts will impact future agricultural WTO and trade negotiations?

**Response:** The President's budget includes proposals to reduce farm program payments across the board by 5 percent, base marketing loan benefits on historical production, tighten payment limits, and reinstitute a small sugar marketing assessment. It would also extend the Milk Income Loss Contract program for 2 years. These proposals are

necessary as part of a government wide effort to reduce the size of the Federal deficit. The proposals are equitably shared across the agricultural sector and achieve savings on the order of between 3 and 5 percent over 10 years from the Administration's budget baseline. Since these proposals are designed to work within the existing structure of the 2002 Farm Bill merely to achieve savings for deficit reduction and not to renegotiate the types of support we are providing farmers, I do not expect the proposals to have any effect on ongoing trade negotiations. In fact, the President's budget proposals demonstrate to other WTO members that we are fully committed to an ambitious outcome for the Doha negotiations, including reforms in domestic support and protection, provided the rest of the world agrees to move forward as well.

**RESPONSE TO QUESTIONS SUBMITTED TO DEPUTY SECRETARY  
DESIGNATE CHARLES F. CONNER BY SENATOR MIKE CRAPO**

1. Section 6021 of the 2002 Farm Bill creates the National Rural Development Coordinating Council (NRDCC) to "review and comment on policies, regulations, and proposed legislation that affect or would affect rural areas . . . [and] develop and facilitate strategies to reduce or eliminate administrative and regulatory impediments." If confirmed and if you intend to consolidate interdepartmental policy coordination in the Deputy Secretary's office, would you consider using the NRDCC in lieu of creating a new and separate policy review organization?

**Response:** Thank you for your question. Let me first say that you raise an interesting idea that may be incorporated into the mission of the NRDCC. USDA is still working out a proposal for the NRDCC's functions and operational plans. The interplay between the NRDCC and the various Federal partners has yet to be determined. At this time, I understand the Federal nominations are being finalized and, if confirmed, I will request a briefing from Rural Development in the near future.

**RESPONSE TO QUESTIONS SUBMITTED TO DEPUTY SECRETARY  
DESIGNATE CHARLES F. CONNER BY SENATOR TOM HARKIN**

1. The fundamental purpose of the Federal Crop Insurance Program is to provide crop insurance to all eligible farmers in the United States regardless of size or region, yet by all accounts a logical approach for any company offering a Premium Reduced Policy or PRP would be to “cherry-pick” the largest, and most lucrative accounts. I understand that the Risk Management Agency is seeking to address the issue of discriminatory practices through the PRP rulemaking process, but in the proposed rule published in the Federal Register, RMA did not present an actual enforcement mechanism that the Office of Compliance could use to combat discrimination against small, minority, or limited resource farmers. It’s easy for RMA to admonish all forms of discrimination, but actually policing it is completely different.

Please describe how RMA intends to enforce a prohibition on discrimination through the PRP, especially if half the crop insurance companies offer a PRP in 2006.

**Response:** The Standard Reinsurance Agreement (SRA) between RMA and approved insurance companies precludes companies from exclusively targeting larger farmers or refusing to offer insurance to an eligible producer based on loss history or farm size. Each company must offer and market approved insurance plans to all eligible farm operators within a state in which the company operates. These provisions also govern companies that have been approved to offer premium reduction plans. RMA is fully committed to taking action if it has evidence, through its regular company reviews or through other means, that a company is not offering or marketing any Federal crop insurance plan, including an approved reduction in premiums, to smaller producers or is exclusively targeting larger producers with premium reductions.

The proposed rule requires companies seeking approval for premium reduction plans to provide a detailed marketing plan for reaching small and limited resource farmers. If the marketing plan is inadequate, or companies do not comply with the plan, RMA will disapprove the premium reduction application or withdraw approval from previously approved premium reduction plans. If non-compliance with the marketing plan also constitutes a violation of the Standard Reinsurance Agreement (SRA) penalties to a company for violating the terms of the SRA are severe, ranging from the denial of reinsurance by RMA for the insurance policies affected by the violation to suspension or termination of their participation in the crop insurance program. Thus, the proposed rule would provide a tool that would aid RMA in enforcing the SRA provisions on unfair discrimination for companies approved to offer premium reductions.

2. In 1999, the U.S. government and a class of African-American farmers entered into a consent decree that settled an ongoing class action lawsuit alleging that USDA had systemically discriminated against black farmers in providing access to USDA programs and benefits.

Though the settlement was hailed at the time as a historic moment in US civil rights, since that time there have been numerous complaints about many aspects of the settlement, both the content of the consent decree itself as well as its implementation.

A key issue concerns the fact that after the original filing deadline had passed nearly 70,000 additional individuals filed for entry into the class, the vast majority of whom were subsequently denied. As a result, many people have suggested that steps should be taken to allow late-filers who were originally denied entry into the class the opportunity to gain entry into the class. It is very doubtful that so many farmers would consciously fail to file a claim if they really knew that they were required to do so earlier.

The easiest route to fixing the consent decree would simply be for the black farmers and for the U.S. government both to agree to re-open the consent decree and to ask the court to approve any changes to which they both agree.

What is your view on reopening the Consent Decree to enable late-filers who are legitimate members of the class entry into the settlement and the opportunity to seek compensation under it?

**Response:** First, let me state that there is no principle more important than complying with every aspect of our nation's civil rights laws. I have always been committed to establishing a discrimination-free workplace for all employees and delivering programs and services fairly to all the people we serve. If confirmed, that would be one of the hallmarks of my tenure at USDA.

The Pigford Consent Decree was a landmark government settlement and certainly there is a valid public interest to ensure that all aspects of the settlement have been appropriately implemented. If confirmed, I will insure that USDA continues to fully comply with the court's direction in implementing this agreement and I intend to pursue policies that promote our civil rights commitments. However, determinations about revisiting the Consent Decree are beyond the sole authority of USDA, as they are matters still in litigation that rest with the Department of Justice, the Courts and Congress.

3. Do you think that it is necessary to find a solution to the issue of the many people who have lost the opportunity to establish their right to compensation through the consent decree settlement?

**Response:** It is a priority of the Administration that all farmers are treated equitably and fairly, and I look forward to working with Congress on resolving any issues facing our minority farmers.

4. Minority farmers nationwide feel they have endured decades of discriminatory treatment by local Farmers Home Administration ("FmHA") and Farm Service Agency ("FSA") offices. Despite repeated efforts by USDA to address such discrimination, most minority farmers continue to assert that in fact it continues.

What will you do to eliminate the discrimination that unfortunately persists despite previous efforts? Is there legislation this Committee should consider that would help you to address these issues?

**Response:** One of the first meetings Secretary Johanns had after his nomination was announced was with the Assistant Secretary for Civil Rights to learn of efforts in this Administration to eliminate any vestiges of past discrimination in any of the USDA's programs or services. The Bush Administration has welcomed the participation of all stakeholders who have recommendations on how USDA can enhance its civil rights performance and I look forward to continuing that commitment.

These efforts have been focused on finding innovative ways to help small or disadvantaged farmers by increasing access and participation in USDA programs and services.

5. In addition, many farmers who have taken steps to file discrimination complaints or who have chosen to pursue legal action against the Department of Agriculture feel that discrimination continues unabated. Many feel that they face further retaliation at the hands of local officials precisely because they have filed complaints.

How do you plan on approaching and solving this ongoing problem of retaliation against minority farmers who have filed discrimination complaints?

**Response:** In addition to the response to question #4 above, discrimination of any kind will not be tolerated or permitted at USDA should I be confirmed. The Office of the Assistant Secretary for Civil Rights has been empowered to hold USDA accountable for adhering to all of its civil rights commitments and I will support the initiatives outlined by President Bush to strengthen civil rights enforcement and improve the tracking and analysis of civil rights complaints. I will encourage individuals who believe that USDA has discriminated against them to bring their complaints to the attention of their agency's and USDA's Office of Civil Rights so that the complaint can be investigated. USDA is committed to addressing all discrimination complaints in a timely and professional manner.

6. The Food Stamp Program error rate has declined by approximately 33 percent in the last five years alone and is now at its lowest point ever. In 2003, only four percent of food stamp benefits represented either overpayments to eligible households or payments to ineligible households. This is an impressive achievement for a program that is administered by thousands of eligibility workers in state and local offices across the country. By comparison, the Internal Revenue Service recently released a report that finds that taxpayers underpay their taxes by about 15 percent – or about three times the food stamp overpayment rate. This amounted to between \$312 billion and \$353 billion for the 2001 tax year.

I understand that when new USDA releases the Food Stamp Program quality control data for 2004 in June, that you are expecting another major improvement in the Food Stamp Program error rate.

Do you agree that there has been tremendous improvement in program integrity in the Food Stamp Program? Do you expect the quality control numbers for fiscal year 2004 will show continued improvement in the food stamp error rate?

**Response:** I agree that there has been tremendous improvement in program integrity in the Food Stamp Program (FSP) over the last several years. While the error rates are currently at an all time low, whether this trend continues remains to be seen. USDA has been working and will continue to work diligently with our State partners to continue this trend. However, the QC provisions of the Farm Bill of 2002 (Public Law 107-171) greatly diminished the sanction and incentive system for State agencies to maintain a high degree of payment accuracy.

For example, while the payment error rate is at an all time low one State is approaching its second consecutive year of an error rate greater than 10 percent. This State was not sanctioned for FY 2003 (since it was the first year under the new Farm Bill provisions) and we are currently predicting that this State's sanction for FY 2004 will be nearly 90 percent less than it would have been under the pre-Farm Bill formula. We hope to work with you to ensure the Food Stamp Program is well managed. We are optimistic that we can continue to progress in this area.

7. The President's budget for fiscal year 2006 has proposed changes to the Food Stamp Program that would cut approximately \$600 million over 5 years, but others are suggesting much higher cuts to the Food Stamp Program, asserting large savings can be obtained from cutting fraud, waste and abuse in the Food Stamp Program.

Given this Administration's past work with this Committee to target fraud, waste, and abuse in the Food Stamp Program and our success in improving payment accuracy in the Food Stamp Program, can I safely assume based upon the President's budget for fiscal year 2006 that the Administration does not believe that there are policies that could yield any substantial savings by targeting fraud, waste, and abuse in the Food Stamp Program as suggested by some?

**Response:** The President's budget supports our continuing efforts toward reducing fraud, waste and abuse in the program. It also supports \$33 billion in Food Stamp Program FSP benefits for 29.1 million persons each month. This substantial budgetary commitment reflects our belief that the program supports better nutrition and health, and assists the movement from welfare to work through an increase in participation of eligible persons. We also plan to continue to improve program integrity.

The Administration believes that, working with the Congress we can further reduce food stamp integrity problems. One option would be to strengthen the sanctions and incentive

system. We are committed to this program and will work with you to make further progress.

8. The Natural Resources Conservation Service (NRCS) eliminated six regional offices, which were headed by career managers and replaced those regional managers with three political appointees in Washington. NRCS has also modified professional qualifications for state conservationists and other natural resource conservation scientists. What was your role in the elimination of Natural Resources Conservation Service regional offices?

**Response:** The Natural Resources Conservation Service Reorganization to which your question refers to took place during calendar year 2004. This reorganization streamlined the Agency to better meet the growing customer demands and improve delivery of services.

While my role was not to develop or implement the reorganization, I was generally aware of the changes that were proposed and the goals of the reorganization and certainly support all efforts to improve efficiency and reduce costs.

9. What do you intend to do to assure the independence and professional qualifications of the NRCS career scientists and technical staffers?

**Response:** If confirmed as Deputy Secretary, I will encourage NRCS to continue to strengthen and nurture its career-based technical knowledge and expertise. I would also emphasize local conservation decision making and relying upon sound science to guide our advice and actions.

The new National Technology Support Centers, created by the recent NRCS reorganization, will be structured to be on the cutting edge of scientific developments in natural resource conservation. These Centers will provide the kind of technology transfer and development of guidance to the field that will greatly enhance the agencies technical capacity.

**RESPONSE TO QUESTIONS SUBMITTED TO DEPUTY SECRETARY  
DESIGNATE CHARLES F. CONNER BY SENATOR PAT ROBERTS**

1. In 2000, I worked with many members of this Committee to lead efforts for significant reforms in the crop insurance program. The federal crop insurance program is an essential part of our risk management efforts in Kansas. This program has taken a significant reduction in funding through the most recent Standard Reinsurance Agreement (SRA). As you know, the Administration's budget proposal requested additional cuts to this program. I do not believe the program is sustainable under this scenario. What will you do to ensure that this remains a viable risk management program for farmers throughout the country?

**Response:** The Administration closely shares your vision and passion for improving risk management tools for farmers and ranchers. Key changes in the new SRA, effective for the 2005 crop year, included a lowering of the Administrative and Operating (A&O) expense reimbursement, which will be implemented over the 2005 and 2006 reinsurance years. RMA has also tightened the monitoring of SRA holders with respect to financial solvency and is strengthening ties with state regulators and the National Association of Insurance Commissioners.

The FY 2006 budget proposal is estimated to realize \$140 million in savings to the crop insurance program annually beginning in 2007. Some aspects of the proposal are designed to encourage greater self-reliance through increased buy-up of crop insurance or fee and rate adjustments to better reflect the risk that CAT coverage brings to the program. The increased self-reliance encouraged by this proposal and the linkage of the availability of crop insurance to farm program payments are intended to enhance the operating efficiency of the program, reduce the economic need for ad-hoc disaster payments and, of course, address the broader need to reduce the federal deficit. I will continue to evaluate the viability of the crop insurance program as these proposals are implemented and will seek additional opportunities to lower the companies' cost of delivering and administering the program.

2. As a member of both this Committee and the Senate Intelligence Committee, I have lead efforts to increase communication and the sharing of information between USDA and our intelligence agencies in regard to food and agriculture security. The threat on this front is real, and we must continue to move forward on these efforts. What do you believe your role as Deputy Secretary should be in continuing to move forward and increase our security in this area? Will you also be sure to communicate to the Committee any additional tools or resources that you believe are necessary to adequately address this threat?

**Response:** If confirmed as Deputy Secretary, I will work closely with USDA's Homeland Security Director to make sure we continue to implement Presidential Directive on Homeland Security-9 and remain at the forefront of carrying out the President's highest priority of protecting our homeland. USDA has undertaken a top-to-

bottom review to see how best to respond to the threats we now face and I will continue to keep the Committee informed of our progress in this endeavor and if we feel additional resources are needed.

3. The WTO Doha round negotiations continue, with an important meeting scheduled in Hong Kong later this year. What will you do as Deputy Secretary to ensure U.S. producers and food aid programs are not asked to give more than they are getting in these discussions? Will you also work to prevent the exemption of individual commodities at the expense of other commodities in these agreements?

**Response:** The Bush Administration's primary goal here is to protect and improve the competitiveness and marketability of U.S. agricultural products in the global marketplace. To do this, we must expand market access, eliminate export subsidies, and substantially reduce trade distorting domestic support – all in a manner that reduces disparities between countries. Progress must be achieved in all areas by all Members to reach a successful conclusion of the negotiations. The July 2004 framework calls for deeper cuts in higher tariffs; elimination of export subsidies; and harmonization and reduction of trade-distorting domestic support. I believe this framework moves us down the road to a more fair and market-oriented agricultural trading environment, which will benefit U.S. farmers and greatly expand opportunities to grow overseas markets. The ability of the United States to preserve and maintain vital food aid programs will not be compromised.

**RESPONSE TO QUESTIONS SUBMITTED TO DEPUTY SECRETARY  
DESIGNATE CHARLES F. CONNER BY SENATOR KEN SALAZAR**

Mr. Conner, as I know you are well aware, across rural America – in Colorado and in Indiana – Main Streets are being boarded up.

In 2002, Congress passed a farm bill that promised a level of protection for producers as well as investment in rural development initiatives and small business investment programs. Despite significant savings in farm bill spending, the Administration has proposed severe cuts to programs – programs that are committed to promote investment in rural communities like the ones in which you and I were raised.

1A. As the President's top agricultural advisor, what was your role in putting together the proposed budget for agriculture?

**Response:** The responsibility for putting together the President's budget rests with the Office of Management and Budget. As an advisor to the President, my role was to review, discuss, and voice an opinion about a wide range of possible proposals that were being considered. My voice was one of many that were considered in developing the 2006 budget. The final proposals were hammered out through a deliberative OMB process. The proposals that emerged from this process were supported by those involved and they were recommended for inclusion in the budget.

1B. Since the proposed budget includes such extreme across the board cuts, where do you believe these cuts should come from – which programs?

**Response:** The President's 2006 budget specifically identifies where the proposed program reductions would be taken. Concerning the across the board reductions you mentioned, I assume you are referring to the farm programs. In this regard, the 2006 budget proposes a 5 percent across the board reduction in all direct payments, including for example, direct and countercyclical payments and marketing assistance loan benefits. These types of across the board reductions in farm program benefits are not new ideas and have been proposed and enacted in the past. They are easy to administer and are equitably spread across the agriculture sector.

1C. In your new capacity, what are the first three things that you plan to do to increase investment on Main Street?

**Response:** It is difficult to narrow Rural Development's influence in the area of Main Street revitalization down to three programs or priorities. However, the President's 2006 proposes to increase the Business and Industry Guaranteed Loan Program by over 50 percent, increase total program dollars available for single family housing, double the program dollars for guaranteed multi-family housing as well provide tenant protection funds, all of which will act as additional cash infusion for rural communities and increase the local property tax base. At the same time USDA plans to continue stimulating

growth of America's small towns with a variety grants and loans directed at housing and community facilities, including rural hospitals; small businesses; telecommunication and broadband companies; and renewable energy developers and businesses--all of which will increase local commerce and supply the infrastructure that lays the foundation for future growth.

2. Mr. Conner, regarding the Canadian border situation. As you know, I was supportive of the Senate resolution to disapprove of USDA's rule to reopen the U.S. border to Canadian cattle. However, I have continually said that I would like to see the border reopened should USDA take several steps in their proposed rule in an effort to ensure the safety of our domestic livestock herd. In fact, on March 10, I wrote to Secretary Johanns and outlined my continued concerns.

Unfortunately, I have not heard back from Secretary Johanns and, therefore, my concerns continue. In your new role, I urge you to work with Secretary Johanns to fully address the continued concerns, of my colleagues and me, regarding this very important issue.

**Response:** I understand that a response to your letter is currently under final review. You should receive it shortly. Both Secretary Johanns and I appreciate your concerns, and, if confirmed, I look forward to working closely with him and other USDA officials to continue addressing the issues you raise.

3. Mr. Conner, you spoke about the need to keep a competitive advantage around the globe for U.S. farmers and ranchers, and I completely agree with you. As you know, the Foreign Agriculture Service and, specifically the popular Market Access Program (MAP) have suffered from budget cuts. What do you plan to do to help promote agriculture exports as well as important agencies and offices here and in our embassies abroad?

**Response:** One of the Foreign Agricultural Service's most distinct assets continues to be its overseas presence. Our overseas staff provides invaluable service through their in-depth knowledge of the country, its government, market potential for our products, and competition. As government officials, we have the unique capability to gain access to foreign officials on behalf of American agriculture.

FAS will continue to be USDA's lead agency for agricultural trade negotiations. If confirmed, I expect to work with them as they focus on non-tariff trade barriers and continue to monitor other countries' compliance with international agreements. To build on our market intelligence and development strengths, we will position our resources strategically to support U.S. trade interests. Our trade capacity building activities will be targeted not only to facilitate trade and economic development, but also to promote agricultural and food security worldwide.

Finally, in keeping with the President's Management Agenda, we will assess our activities, both overseas and at headquarters, to determine which are inherently governmental and provide the maximum value to our customers.

4. Mr. Conner, I have noticed that in several of the speeches you have submitted you remind your audience of a phrase from President Bush, "everyday is Earth Day on American farms and ranches." I completely agree with this statement, in fact, I believe that farmers and ranchers are some of the greatest stewards of the land. Therefore, I am very concerned with some of the Administration's proposed cuts to conservation and rural development programs that are essential to promote good land use practices. How do you plan to ensure that farmers and ranchers continue to have the tools they need to meet environmental challenges and promote good land practices?

**Response:** If confirmed as Deputy Secretary of Agriculture, I will continue to place a strong emphasis on maintaining spending levels for resource conservation programs of the Department. I wholly support the Administration's recent efforts to implement the largest conservation program in history, providing about \$17 billion in new conservation funding over the 10-year period of 2002-2011. I also support the President's 2006 budget, which includes more than \$3.8 billion in funding for financial assistance and other direct payments to farmers for Farm Bill conservation programs, a small increase over the 2005 level.

On the whole, I believe we are on the right track in terms of placing appropriate resources where they can best serve producers and enhance the environment. Certainly upon assuming my position I would assess the overall balances of our funding requests and weigh options for future budgeting decisions.

**RESPONSE TO QUESTIONS SUBMITTED TO DEPUTY SECRETARY  
DESIGNATE CHARLES F. CONNER BY SENATOR JIM TALENT**

1. In your current capacity at the White House, you were very involved in working to reopen the Japanese and other markets for U.S. beef. Given your knowledge about what we have done to date, what should we be doing now to reopen and regain these vital markets?

**Response:** It is time for Japan to take action and complete its regulatory process to change its BSE cattle testing requirements and other procedures, which will allow U.S. exporters to sell beef and variety meats from animals less than 21 months of age. As you know, the President is well aware of this issue and is regularly briefed on its status. On September 21, 2004, President Bush raised the issue with the Prime Minister of Japan, and they both agreed that they wanted the issue to be quickly resolved. USDA has been working with agencies throughout the U.S. Government to make the opening of export markets for U.S. beef a priority. The Administration has to apply political pressure at all levels to assist in this process, and we will continue to make this a top priority in all of our bilateral discussions.

As Deputy Secretary, I will continue to work with others in the Administration to press Japan to reopen the market to U.S. beef.

2. Is progress still being made?

**Response:** We were encouraged by the recent report by the Food Safety Commission recommending that BSE testing for animals under 21 months of age was unnecessary. However, progress has been much slower than what had been anticipated under the October framework agreement. In Korea, the Korean government has provided USDA with specific technical questions that will be answered during technical discussion scheduled for later this month in Seoul. While our Asian markets represent the major portion of the markets still closed, overall we have recaptured approximately 60 percent of our total ruminant and ruminant export markets based on 2003 export values. I will work closely with the Administration as we continue to make this a top priority in our bilateral relationships with all countries still closed to U.S. exports.

3. What is the current status of the animal identification program? How far along is the administration?

**Response:** I understand that USDA is currently working on the first phase of implementation, which entails identifying and registering premises that house animals. Such premises include locations where livestock and poultry are managed, marketed, or exhibited. APHIS has provided a Standardized Premises Registration System to States that requested it. To date, Forty-four States have premises registration abilities that are operational for the National Animal Identification System and the goal is to have all States operational for premises registration by mid-year 2005.