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NOMINATION HEARING OF THE HON. EDWARD T. SCHAFER, TO BE SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

JANUARY 24, 2008

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NOMINATION HEARING OF THE HON. EDWARD T. SCHAFER, TO BE SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Thursday, January 24, 2008

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

The committee met, pursuant to notice, at 3:36 p.m., in room 328–A, Russell Senate Office Building, Hon. Tom Harkin, Chairman of the committee, presiding.

Present or submitting a statement: Senators Harkin, Conrad, Baucus, Lincoln, Brown, Nelson, Salazar, Casey, Klobuchar, Chambliss, Lugar, Roberts, Cochran, Coleman, and Thune.

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

Chairman HARKIN. Good afternoon. The Senate Committee on Agriculture, Nutrition and Forestry will come to order.

This afternoon, we meet for a hearing on the nomination of Edward T. Schafer, former Governor of North Dakota, for Secretary of Agriculture. I welcome to the Committee Governor Schafer. I also want to recognize and welcome your wife, Nancy, and your daughter, Kari, as well as a good number of North Dakotans who are here with us this afternoon. Of course, you are flanked by our distinguished colleagues, Senator Conrad, Senator Dorgan, and Congressman Pomeroy.

It is a fact too seldom fully appreciated, I think, that the responsibilities of the Secretary of Agriculture touch the lives of all Americans and millions of others around the world on a daily basis. Each and every one of us depends on our food and agricultural system and have a vital interest in the wide range of activities at the Department of Agriculture.

In my State of Iowa, strong, forward-looking leadership at the Department of Agriculture is critically important. Agriculture is the cornerstone of our economy. We treasure our way of life in our small towns and rural communities. We understand the true value of soil and water and other natural resources. We are committed to conserving them and improving them and saving them for future generations. We are optimistic about our growing role in producing energy and bio-based products for the future.

So it is encouraging, Governor Schafer, that you also come from a State with similar deep connection and appreciation for agriculture and rural communities. I commend you for the pride you take and the inspiration you draw from your family's heritage in agriculture and rural communities. Your experience as Governor of North Dakota should serve you well as Secretary of Agriculture.

Among your key responsibilities is faithfully carrying out the laws that Congress writes and the President signs. Currently, we face a big challenge in completing a new farm bill for you to implement. The Senate and House of Representatives have each passed their versions of the farm bill. Both bills have significant improvements and reforms to benefit agriculture, rural communities, and our nation as a whole.

In our Senate bill, we continue and improve a solid farm income protection system. We make critical new investments to preserve our resources, promote rural energy initiatives, alleviate hunger and malnutrition, and boost the economy and quality of life in rural communities. Unfortunately, we do not yet have the support of the President for funding the critical forward-looking investments crafted by the Agriculture Committees and approved by both the House and the Senate. We have a good deal of hard work and negotiation with the White House ahead of us on the new farm bill. Yet with my colleagues and with my Ranking Member, Senator Chambliss, with our two counterparts on the House side, we have begun to work together. I believe that we will reach agreements and we will have a bill for the President in short order.

For Governor Schafer, we look forward to working with you. We are counting on your help in working out differences in order to enact a new, sound farm bill for our nation.

Again, we welcome you to the Committee. We look forward to your testimony.

I will now turn to our Ranking Member, Senator Chambliss.

STATEMENT OF HON. SAXBY CHAMBLISS, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator CHAMBLISS. Thank you very much, Mr. Chairman, and Governor Schafer, welcome to the Agriculture Committee. I am very pleased to see that you are surrounded by three folks who know and understand agriculture. Senator Dorgan and Senator Conrad, obviously I have had the pleasure of serving with over here, and my good friend, Earl Pomeroy, I had the pleasure of serving with for 8 years in the House and working very closely with all three of these gentlemen for what we know to be the best agricultural products produced in the world today. I am pleased that they are here to show their support to you.

First of all, I want to show you something. This is a bag of Georgia peanuts, Governor, and——

[Laughter.]

Senator CHAMBLISS [continuing]. You all don't grow many of these in North Dakota. I hope you don't start growing any, because we certainly can't grow wheat, soybeans, and corn the way you do in North Dakota, but we grow a darn good peanut and I want to make sure you get plenty of them at your office to start you off right.

[Laughter.]

Senator CHAMBLISS. And we will even throw in some Diet Cokes.

[Laughter.]

Senator CHAMBLISS. Mr. Chairman, I do thank you for holding this important hearing to consider the nomination of Governor Edward Schafer for the position of Secretary of the United States Department of Agriculture. It is a credit to you and your staff in the middle of farm bill negotiations that you have taken the time to attend to this important business, and I look forward to reporting the nomination favorably out of committee and quickly approving the nomination on the Senate floor. A swift confirmation will ensure that the Department of Agriculture has the necessary leadership to fulfill its mission on behalf of the American people.

Governor Schafer, I congratulate you on the nomination by the President. I would also like to welcome your wife, Nancy, and your daughter, Kari, to the hearing today. I understand and regret that your children Tom, Ellie, and Eric couldn't be here, but certainly they are all justly proud of you and I commend them for their great support of you. I hope your visit today will be a short yet productive one, and I am certain it will. I know it is a proud day for you and your family and for the entire State of North Dakota.

The Senate is pleased that the President has extended his confidence in you and provided us with an opportunity to fill this critical position in timely fashion. Your predecessor, Secretary Johanns, established a high standard for the position of Secretary, and certainly Chuck Conner has served admirably as Acting Secretary in his absence.

As every member of the Senate Committee on Agriculture well knows, the position of Secretary is critically important not only to America's agricultural producers, but to every U.S. citizen that consumes products that our farmers produce. Arguably, no member of the President's cabinet has a greater or broader responsibility than the Secretary of Agriculture. From overseeing the major commodity and conservation programs to administering the food and nutrition programs, the Secretary of Agriculture touches almost every sector of our society today.

Our most basic strength as a nation resides in our ability to produce a safe and affordable food supply. We are blessed that we can share this bounty not only with our citizens, but with other nations, as well. American agriculture is at a critical intersection and you are coming in at a very critical time, with the promise of a new farm bill in one direction and the uncertainty of government inaction on the other. Unless Congress and the administration can work collaboratively to pass a farm bill, our farmers and ranchers, despite the high prices they currently enjoy, will be forced to go to their lenders without the strong backing of the Federal Government. In today's uncertain economic climate, it would be irresponsible to abdicate our responsibilities to rural America in the pursuit of legislative options that do not enjoy broad Congressional support.

As you know, the U.S. Senate overwhelmingly passed the Senate version of the farm bill in a strong bipartisan way under the leadership of Senator Harkin. Such broad support of farm policy is unprecedented in the Senate's long history. It is our hope to pass a

farm bill and have it signed into law in the short term so that we can then turn toward the important business with the Department of Agriculture of implementing that farm bill.

The fact that the President nominated you speaks to your high level of qualification to assist us in the final stages of the farm bill process and furthermore represent our farmers and ranchers around the world in critical trade negotiations.

So Governor, I will submit the rest of my statement for the record, but I just want you to know that we really do look forward to moving this nomination, to working very closely with you as we complete the conference process on the farm bill, and look forward to working with you on the implementation of that farm bill.

Thank you, Mr. Chairman.

Chairman HARKIN. Thank you, Senator Chambliss.

Normally, the Chair would recognize the Senators in the order that they come, but I think today, since this is a nomination hearing, I would go back and forth, one side to the other, and I know Senator Baucus has a scheduling problem anyway. Any comments, if you keep them relatively short, I am sure would be appreciated by our nominee and all, so I would recognize Senator Baucus.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM THE STATE OF MONTANA

Senator BAUCUS. I thank you, Mr. Chairman. I thank the indulgence of my colleagues and I will be quite brief.

Governor, I very much welcome you to Washington to your new job and I especially compliment you on the choice of Nancy——

[Laughter.]

Senator BAUCUS [continuing]. A Turner, Montana, lady, next to North Dakota—not too far from North Dakota, a little closer to Canada, but a little closer to North Dakota, and so you are flanked not just by two great Senators and a great House member, but also by your wife, who very much understands agriculture and I know will be a very strong advocate for agriculture in your household, so I thank you very, very much.

You in your prepared statement said that Abraham Lincoln called the Department of Agriculture "The People's Department." I just might say that sometimes we wonder here if the Department really is still the People's Department based upon what your predecessor sometimes said. It seems to many of us that the Department has been a little more concerned with Washington Post and Wall Street Journal editorials than it is with real folks, the farmers and ranchers in our States. So if the Department really is the People's Department, and I think that is an apt quote, we clearly want it to remain the People's Department, and that is farmers and ranchers, not East Coast editorial writers.

I am also a little concerned, frankly, that when the Secretary, your predecessor said that there was no need for an agriculture disaster assistance title that is in this farm bill, there clearly is because you never know when disaster is going to strike. If the title is already in place in there, I think it just helps our farmers and ranchers have a sense that they can continue to farm and that their livelihood, that they can stick with it.

I am also a little concerned when your predecessor wanted to close a lot of Farm Service Agency offices. The number of offices to be closed—announced to be closed in Montana—is about 1.2 percent of the State FSA budget, but it would close about 14 percent of our State's offices. As you know, in the farm bill we have said, no, no, we are not going to close most of these FSA offices. We put a little limit on it so that the closures are more related to efficiency and not as widespread as is in the bill.

Further, we are a little concerned when the President says he is not going to sign a farm bill that is one penny over baseline, yet his own budget baseline is $8 billion over. It just seems to us that—and we urge you when you are confirmed to go back and review that position so that when you are standing up for farmers and ranchers, that maybe you modify that statement along the lines that make more sense for agriculture.

Finally, I just wanted to thank you very much and remind you, and I know Nancy is going to remind you, that agriculture is our most important industry in Montana. I am sure she has deep roots still in Turner. Welcome, and I just tell you to fight for agriculture and work very closely with this Committee. The farm bill, as you know, passed by 80 votes—79 votes. We put all politics aside totally. This is a totally nonpartisan bill. We want to do what is right for agriculture, and I very much know that you will approach your job in very much the same fair mind.

So thank you very much and I wish you good luck.

Mr. SCHAFER. Thank you, Senator.

Chairman HARKIN. Thank you, Senator.

Senator Lugar?

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM THE STATE OF INDIANA

Senator LUGAR. Thank you very much, Mr. Chairman, and welcome, Governor Schafer. Congratulations on your nomination. I would just encourage you to work with the President, to work with the cabinet. We are in difficult times economically in our country and job creation in agriculture is as important as job creation everywhere else. Stability of rural banks and our countryside is going to require teamwork with the Secretary of the Treasury, Commerce, as well a the administration. So you come in at a time of crisis, but it is very important that you be confirmed quickly so that we have a seat at the table and we look forward to working with you.

Mr. SCHAFER. Thank you, Senator.

Chairman HARKIN. Thank you very much.

Senator Nelson?

STATEMENT OF HON. E. BENJAMIN NELSON, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator NELSON. Thank you, Mr. Chairman. I, too, want to express my congratulations and appreciation for your willingness to take on a very difficult responsibility at a difficult time. You are stepping into the middle of a process because of the departure of your predecessor and I am hopeful that as you step into this, as we have discussed, that you will find that you can be a partner

with the Chairman and the Ranking Member of this Committee as well as with the House committees and work together with us as committees to bring together a farm bill or a Food and Energy Security Act for 2007 so that we can move forward in so many different areas.

I know that there is a lot of frustration with the closure of the ten FSA offices in Nebraska. We didn't feel that that was done in an appropriate fashion any more than we think it was in other States. It was not well thought through. I hope that because of the inclusion of that in the farm bill, that you will look at that very carefully when you get into the office to work with us, given that legislation.

I have expressed to you my concern about how we can work together to put more pressure on certain Asian countries with respect to the exporting of our beef. We run into challenges, continuing challenges in Japan to get to the level of exports that we were before the BSE scare, and the same thing is true in the Republic of Korea. I have worked very closely with their Ambassadors. I felt that I did not have adequate support from the USDA in that effort. I would have to describe the effort that I saw as anemic, at best. I think if you can help us in a robust fashion, we can make the difference not only with respect to beef, but with other areas of trade that involve agricultural products.

There have been improper payments. I think you have probably followed that. A person doesn't have to know much about Lexis or Nexis to find out if somebody is alive or dead, certainly with respect to the payments. Now, we have put that language into the bill even though it was not necessary to be in the bill, but it was almost like saying, and this time we mean it. Get it right. So you are going to have us looking over your shoulder from time to time saying, now are you getting it right?

But I think you can see that there is a great deal of comity—sometimes comedy as well—but comity within this Committee, different ideas about how to go about things, but a generally positive atmosphere with which to work.

So what I would like to say is you don't have to be caught in a vise. You can escape the vise by becoming a partner with this Committee and I hope you that you will find a friendly partnership with us. We intend for that to be the case, and from our years together as Governors and neighbors, you know exactly how to do that and I am looking forward to working with you. My congratulations again to Nancy and to your daughter and to the North Dakotans for this nomination. I hope we can get it done quickly.

Mr. SCHAFER. Thank you.

Chairman HARKIN. Thank you very much, Senator Nelson.

Senator Roberts?

STATEMENT OF HON. PAT ROBERTS, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator ROBERTS. Yes, thank you, Mr. Chairman, for scheduling this hearing so quickly upon our return, and hopefully Congress as a whole will move as expeditiously this year, not only on the stimulus package but the farm bill, as well, and the whole series of issues where we have to move.

I am really pleased to be here today on behalf and to lend my support for our nominee. I know that we have met on many occasions and discussed agriculture program policy, and so I simply associate myself with the very good remarks of my colleagues.

Being from North Dakota, I think we have to underscore that he has a solid understanding of the importance of agriculture, and in particular the importance of production agriculture. I am always amazed lately that, I don't know, for some reason, about the lack of understanding over the value and the contribution of production agriculture to our society today. This is something that has to be worked on over time.

We really need somebody, as has been referred to, with a healthy dose of common sense to be the lead spokesman for U.S. agriculture, standing up to attacks on our farm programs from those who either don't appreciate it or don't understand that America's farmers and ranchers still produce the safest and most abundant and affordable food supply in the world. They produce not only for our country, but for a very troubled and hungry world.

You are riding with the Conrad, Dorgan, and Pomeroy posse, and they know that and they have been outstanding spokesmen and champions for production agriculture. They have been singing that anthem ever since the Sons of the Pioneers sang for Roy and Dale.

[Laughter.]

Senator ROBERTS. That may date Earl a little bit, but I don't know.

And so I hope you are up for it, Governor. I have a question over direct payments, but I will yield at this time on behalf of other members and we will wait for the questions. Welcome aboard.

Mr. SCHAFER. Thank you.

Chairman HARKIN. Thank you, Senator Roberts.

Senator Casey?

STATEMENT OF HON. ROBERT P. CASEY JR., A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator CASEY. Mr. Chairman, thank you very much. Governor, thank you for your willingness to put yourself forth as a nominee for this office. We appreciate that and we appreciate your service as Governor of your State. It is a commitment that I know that your family makes, as well. We are grateful for that. And as Senator Roberts and others have said, you have got quite a team around you, two distinguished Senators and a member of the House with you. It is quite a line-up. You have got a good team around you.

I want to thank you, also, for taking the time to sit in my office back in early November to talk about some of the challenges that Pennsylvania faces. It is a major, really, the No. 1 industry in our State. We talked at that time about dairy, and people on this Committee know that I have talked a lot about this, but the cost of production for dairy farmers is a huge concern and you know as well as I do, these people, these families lead lives of struggle, very difficult lives when the cost of everything in their life that is relevant to their cost of production is going through the roof, feed and fuel and other costs, as well. I will have a number of questions probably for the record to submit to you to answer.

I guess one thing that is looming over this hearing today, and I think any of our discussions about the country, about our economy, even in the context of short-term economic challenges, is the farm bill. We are very concerned about it, and I am not just concerned, we are disturbed by the President's veto threat. I know you will be asked about that today and we would ask you to talk about that in terms of responding to your sense of that, why you think he is headed in that direction. If he is, I hope he changes course.

But we are very concerned about that and very concerned about, after all the work that got done in this Committee by our Chairman and Ranking Member and everyone at this table, and some did a lot more than others. So many people worked very hard. The staff worked month after month at times when it seemed the thing was doomed and it would come back to life and it got done in a bipartisan way. So we are very concerned about the unraveling of that bipartisan consensus by an action that the President would take.

So we would ask you to speak to that, but we are just grateful that you would put yourself forward as a nominee and we look forward to hearing your responses to questions. Thank you very much.

Chairman HARKIN. Thank you, Senator Casey.

Senator Cochran?

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM THE STATE OF MISSISSIPPI

Senator COCHRAN. Mr. Chairman, thank you. We appreciate your holding this nomination hearing in such a timely manner. It is important, as we all realize, for the position of Secretary of the Department of Agriculture to be filled as we negotiate a conference agreement with the House on the farm bill. I hope the Committee and the Senate will take prompt action to approve this well-qualified nominee as the new Secretary.

Mr. Chairman, I ask unanimous consent that the balance of my remarks be printed in the record

[The prepared statement of Hon. Thad Cochran can be found on page 42 in the appendix.]

Chairman HARKIN. Thank you very much, Senator Cochran.

Senator Salazar?

STATEMENT OF HON. KEN SALAZAR, A U.S. SENATOR FROM THE STATE OF COLORADO

Senator SALAZAR. Thank you very much, Chairman Harkin. Let me first congratulate Governor Schafer and let you know that you are surrounded by three people who I consider to be champions for rural America and champions for agriculture. /Senator Dorgan, Senator Conrad, and Congressman Pomeroy bring that voice to what I sometimes call the forgotten America in a way that is unequal here to the U.S. Senate and to the U.S. House of Representatives. So you have surrounded yourself with some supporters.

Therefore, I think that your nomination here is not in question, but you do have, I know, some challenges ahead, I think especially when you look at the fact that you will have a very short time, frankly, to be in the position of Secretary of Agriculture, and so I

want to say just two or three things and I will submit my formal statement for the record.

The first is, like with all of us, your Department affects my State in a very significant way. We have 31 million acres of farmland and ranchland. In addition, we have 31,000 farmers and ranchers. In addition to that, there are about 14 million acres which are under the jurisdiction of USDA which are either Forest Service, U.S. National Forests, or grasslands. So you affect a huge percentage of the lands in my State and there will be a host of issues that we want to work with you on.

Two priorities for me, just off the box, I join the rest of this Committee in saying we need to get that farm bill done and we need to get it done very soon and we need the administration to be helpful to us as we get that across the finish line. I think that coming in when you have 1 year left, it would be a great thing if what you can do is to help us implement the bill. You know, it is one thing to pass a bill. It is another thing to make sure that it gets implemented in the right way, and hopefully you can join the rest of us in being Ambassadors for what I consider to be one of the best farm bills that I think this country has ever seen.

Finally, in my State, with respect to Forest Service lands, we are getting eaten up by a beetle called the bark beetle, which has attacked about 1.5 million acres of lodgepole pine. It is having a dramatic effect throughout the Western slope. It has spread out into Wyoming and into Utah and even up into Idaho, and so it is an issue that I have worked on for several years and I will look forward to working with you on that, as well.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Ken Salazar can be found on page 46 in the appendix.]

Chairman HARKIN. Thank you very much, Senator Salazar.

Senator Coleman?

STATEMENT OF HON. NORM COLEMAN, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator COLEMAN. Thank you, Mr. Chairman. Mr. Chairman, thank you for holding this hearing and your efforts to move this nomination along. I am thrilled that our neighbor, my neighbor and friend has been nominated by the President to be Secretary of Agriculture. I wholeheartedly support this nomination and I look forward to us moving it quickly. We need you now.

It is great to have somebody from our neighborhood who understands the concerns and needs of certainly our folks in the Red River Valley, some of the special needs they have when natural disaster strikes, but just across the border. As former Mayor of St. Paul, I think history shows that it was actually North Dakotans who may have founded my city, so there is a long-term tie there.

It has been mentioned about the bipartisan nature of this Committee. With all the bickering that goes on in Washington, with all this kind of negative partisan divide, this Committee has been a haven, a safe haven from that. Senator Conrad's leadership on the farm bill, working with those of us on the other side of the aisle, and that was never an issue was what is right for farmers, what is right for American agriculture. That relationship goes across the

board with Senator Dorgan and Congressman Pomeroy. So it is a special place and I think you bring special qualities to that.

I have often found that a key to negotiation is two things, humility and a capacity to listen. I have a friend of mine, Ward Braham, who told me a story one time that he was on a flight coming back to Washington. He sat down next to this guy. They had this tremendous conversation the whole flight and they kind of became good buddies, and at the end of the flight, he got up and said, well, what do you do, and the response was, "I am Ed Schafer. I am the Governor of North Dakota." He never bothered—didn't start his conversation with his position. He sat there and listened with a sense of humility and created a relationship.

We are going to be in the midst of some negotiations of a farm bill and I think it requires a good listener. It requires a sense of humility. The administration doesn't always get it right, and perhaps we don't, either. But I think you bring those qualities, and then perhaps most important, where I started, as someone who cares deeply about American agriculture, and certainly from this Senator's perspective has a unique understanding of the needs that we have.

So I think we have found an individual, Mr. Chairman, who has all these qualifications and I hope we move this nomination along very quickly. Thank you, Mr. Chairman.

Chairman HARKIN. Thank you, Senator Coleman.

Senator Klobuchar?

STATEMENT OF HON. AMY KLOBUCHAR, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator KLOBUCHAR. Thank you, Chairman, for holding this hearing. Congratulations, Governor. I noticed that the Chairman has made sure that all of your neighbors are here at the end of the table, with Minnesota and South Dakota. It may have had something to do with seniority, but we are here for you.

[Laughter.]

Senator KLOBUCHAR. I actually was thinking about our common border in North Dakota and seeing all these fine Senators and Congressman Pomeroy up here, a story that I think I told Senator Conrad, and that was when I first started running for the U.S. Senate. I called Collin Peterson. I didn't know him very well and I said, if I drive 4 hours to Detroit Lakes, will you meet with me for 15 minutes? He said, OK. I said, we will talk agriculture policy. I said, OK. I drive there. I met with him for about an hour and I had this chart that I had put together of all the direct payments and countercyclical payments and I was trying to figure out how it all worked and he finally said, "You know what? The farmers just want a fair deal. No one understands this stuff except ten people in the country and nine of them live in North Dakota."

[Laughter.]

Senator KLOBUCHAR. So I decided that four of them are right here up at this table.

[Laughter.]

Senator KLOBUCHAR. As you know, Governor, Minnesota is the sixth-largest agricultural producing State in the Nation and the fourth-largest represented on this Committee. We care a lot about

this farm bill. So my message to you is that we have to get this farm bill done.

I have heard it not just from farmers in our State. I went to 47 counties over the recess, from Southern Minnesota way up to—I am going to attend Senator Conrad's marketplace event up in Grand Forks, and I heard it again and again. But I also heard it from people who were in non-agriculture jobs, in smaller towns who are seeing this revolution that the 2002 farm bill produced. And I also heard it from hunters at the National Pheasants Forever event, who really want to get this done.

And I would add one thing. I know we talked and you pledged to continue to work with us on some of the subsidy reforms, especially the amendment that I had for the AGI reform, as we go forward and I hope that will be part of the conference discussions and discussions with the White House. I think the money should be going to family farmers, so thank you very much.

Mr. SCHAFER. Thank you, Senator.

Chairman HARKIN. Thank you, Senator Klobuchar.

Senator Thune?

STATEMENT OF HON. JOHN THUNE, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator THUNE. Thank you, Mr. Chairman, and Governor, welcome to the Senate——

Mr. SCHAFER. Thank you.

Senator THUNE. And to the Senate Agriculture Committee, where you find out that even though you are the star of this hearing, you have to listen to all of us talk before you get your chance.

[Laughter.]

Senator THUNE. And to be accompanied with fully one-half of the Dakota Caucus in the Congress, and Earl and I were—I wish I could say 2 percent of the House when we were the Dakota Caucus over there, but we could have had our meetings in a very small room.

I do think that when you represent our area of the country, you have a great appreciation for the importance of agriculture. I think in South Dakota today, the wind chills were 30 below and the actual temperature was about seven below and I suspect it is even colder than that in North Dakota, but people in our——

Senator CONRAD. No, no, it is not.

[Laughter.]

Senator THUNE. Once again, Conrad is trying to manipulate the numbers, but——

[Laughter.]

Senator CONRAD. South Dakota payments just went down.

[Laughter.]

Senator THUNE. But in any event, I think you have to be a tough breed to live in the Upper Midwest and this farm bill is really important. It is important that we get it done, and I think you know that. I know the administration has not been happy with some of the provisions in either the House or the Senate bill or how it is paid for, for that matter. But I know one thing is certain and that is that we need to get a bill through. Our farmers and ranchers need it, not just in the Dakotas but all across this country and I

think we have struck a very good balance in a strong bipartisan bill here that addresses those needs.

One of the issues, of course, that I visited with you with when you were in my office was the importance of renewable energy in that whole equation now and how that has dramatically impacted prosperity in agriculture in places like the Dakotas and it importance. Senator Nelson and I worked closely on some provisions in the energy title of the farm bill that I think will help move forward, advance biofuel, cellulosic ethanol, and I think that there are some great opportunities there, and so that is why moving this bill is important not just from the food and fiber standpoint, but also from the fuel standpoint. I know that we are going to count heavily on your negotiating abilities because they will be tested based on some of the differences that exist between us and the White House on the bill.

The other thing I will mention just briefly, because it is an important part of this farm bill, as well, is the conservation title and the sustainability of agriculture is—that title is so critical to sustainability of agriculture. I believe that farmers and ranchers are great stewards of the land. I also think that they are being asked to do more and more to maximize their production and we have got to give them the tools that they need so that they can manage and care for those lands. It is really important in our State from a wildlife habitat standpoint, as well. So many of the provisions in this farm bill are very good for conservation and I hope we can keep those in the final bill.

I would just conclude by saying again that we welcome your willingness to take on this position and look forward to moving very quickly to get you confirmed. Mr. Chairman, we hope that that will happen soon and we will be able to move the nomination to the floor of the Senate and get you up and going on the job, and hopefully you can work with us to get a farm bill passed. Thank you.

Chairman HARKIN. Thank you, Senator Thune.

Senator Brown?

STATEMENT OF HON. SHERROD BROWN, A U.S. SENATOR FROM THE STATE OF OHIO

Senator BROWN. Thank you, Mr. Chairman. Governor, nice to see you again. Thank you for joining us. My only real advice would be to listen to one of the best delegations here, your two Senators and your Congressman, who have been great advocates for North Dakota and for family farmers around our country.

Just a couple of things briefly. I held a series of roundtables with farmers in all parts of my State last year and one of the ideas that came out of that is something that Senator Roberts and many of us worked on and the Chairman did, on the whole issue of average crop revenue, to build the kind of revenue protection that we need, as you and I spoke about. That is part of the farm bill. We reached a compromise that I think will work and I am hopeful that we can continue to work together on that as the farm bill is signed into law.

Second, I would add the importance of the nutrition title. Senator Lugar and Senator Lincoln and I have worked on both food bank and food stamp provisions. We are trying to get just some only $40

million into the stimulus package or something soon to help sort of bridge the gap, with food banks under more duress, they will tell you around the country, than at any time in the last 20 years, to help them in the time between now and the time the farm bill is signed into law. So your support—I talked to the Secretary of the Treasury about that—your support there would be helpful.

I welcome you and look forward to working with you in the year ahead. Thanks.

Mr. SCHAFER. Thank you, Senator.

Chairman HARKIN. Thank you, Senator Brown.

Senator Lincoln?

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

Senator LINCOLN. Thank you, Mr. Chairman, and a special thanks to you. Glad to be back. I enjoyed our visit yesterday, Governor. Thank you so much for coming by. I am pleased to welcome you to the Committee today and congratulate you on your nomination and look forward to working with you and certainly gaining a better understanding of your approaches and how you intend to tackle this job. Coming from a seventh-generation Arkansas farm family, it is near and dear to my heart, as you saw yesterday, and I look forward to seeing how you will approach so many of the issues that we face in this country.

I certainly want to thank our colleagues there, Senators Conrad and Dorgan and Congressman Pomeroy, who I came into the House with, for their introductory statements. Senator Conrad, in particular, has been a great colleague to work with in crafting this year's farm bill. He has made a great effort to craft a bill, I think, that really meets the diversity of our country, our farmers, and we appreciate that and look forward to continuing that work in what comes through the conference.

Governor Schafer, just one quick thing. I tried to make this point yesterday and you were enormously patient and listened to what I had to say. You are going to be entering this position at a critical time. We work a lot on the Agricultural Committee throughout the 5 years or 6 years of a farm bill, but critically bringing a farm bill to the floor and getting a bill to the President is enormously important. It is a time when we come together to try to create a final farm bill, and as the country approaches what I think is somewhat of a worrisome milestone in our history, because projections are showing us that in the next couple of years, more than likely, we are going to see for the first time in the history of our country a trade deficit in agriculture. We are seeing ourselves in the circumstances of an unbelievably competitive marketplace globally and our hope is that we can certainly provide the kind of support that growers need.

I believe one of the most important goals that we have in striving to bring together a farm bill that is worthy of the people that we serve here in this country is ensuring a safe and domestic supply of food, and to achieve that goal, we really worked to provide our domestic growers with a basic safety net that all of those growers can work with so that they are able to compete in an already very

heavily distorted world market, and there are lots of charts that show us that.

We are excited about what we can do and hope that you will take every effort to engage yourself in this. I think maybe at some point, you can fill in for us what that engagement is going to be in terms of the farm bill, so we look forward to it. Thank you.

Mr. SCHAFER. Thank you, Senator.

Chairman HARKIN. Now, I get to recognize a senior member of this Committee, also Chairman of the Budget Committee, and I might say, Governor, one of the real architects of the farm bill that we have before us now, and of course past farm bills, but especially this one. I can say without any fear of contradiction that without his help, we wouldn't have had the kind of budget that we needed and the money that we needed and working on helping us get all the numbers lined up and getting everything put together so that we had that great 79 to 14 vote on the Senate floor. Of course, I refer to our great friend and our great colleague, Senator Kent Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator CONRAD. Thank you, Mr. Chairman, and special thanks to you for your gracious willingness to move this hearing up. We would very much like to have the nominee, Governor Schafer, be able to enter the chamber for the President's State of the Union with the rest of the cabinet. I deeply appreciate, Mr. Chairman, what you have done to make that a possibility.

I also want to thank our Ranking Member, Senator Chambliss, for his accommodations and his support of the nomination. We certainly appreciate that. It is really my privilege to present our Governor, our former Governor of North Dakota, Ed Schafer, the first North Dakotan ever nominated for the position of Secretary of Agriculture. That is a great honor for our State and the people of North Dakota are enthusiastic and excited at the prospect.

I should, as part of full disclosure, indicate that the Governor and I for many years were brothers-in-law, so I consider him family, and I would ask my colleagues not to hold that against him. [Laughter.]

Senator CONRAD. The circumstance that we face here is a very important one because all of you know, who have labored so hard to produce a farm bill that came out of this Committee without a single dissenting vote—I don't remember that ever happening before, and I have been through four farm bills here—and then to go to the floor and get a vote of 79 to 14 with four Senators who were absent announced in favor of the bill, that would have given us 83 votes. You have to go back a very long time in the history of this country to find a bipartisan support of that magnitude for any farm bill. I think it is a testimony to the work of this Committee and really the extraordinary work of every member of this Committee.

If there was ever a team effort, it was this farm bill, and the people in this room, I would say to you, Governor, each and every one of them played a key role in the deliberations of this bill. So often, you have a few people that are really active. Not on this Committee. Every single member really contributed to this bill.

This is a critical time, because we have passed the House, we have passed the Senate, we are in Conference Committee. We face the Presidential veto threat. It is very much my hope that Governor Schafer will help bridge the divide, because this is critically important legislation for the country.

Our economy is in trouble. We are in the midst of writing a stimulus package. There is, I would submit, no more important piece of legislation in terms of stimulus for this economy than this farm and energy legislation that is before the Congress now. And so we are going to need your help, and I am confident that working with Governor Schafer as Secretary of Agriculture and with the White House that we can come to an accommodation that is a responsible and principled compromise.

With that, again, my colleagues, I want to commend Governor Schafer to you. And again, I want to thank Chairman Harkin for your very rapid and again gracious response of my request to move this hearing up so that he would at least have the possibility of going into that chamber with the rest of the President's cabinet.

Chairman HARKIN. Thank you very much, Senator Conrad.

And now our other colleague, the esteemed Senator from Congress, Senator Dorgan, Chairman of Indian Affairs, also a colleague of mine on the Appropriations Committee, where he chairs the Energy and Water Appropriations Subcommittee. But I can also tell you he is an individual who constantly keeps tabs on agriculture on our committee and is always involved on the floor and in all our deliberations when it comes to agriculture. So again, we again welcome our colleague, Senator Dorgan, to the Committee.

STATEMENT OF HON. BYRON L. DORGAN, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator DORGAN. Mr. Chairman, thank you very much and thanks to the Committee members for hearing us. It is obvious to all of you, I hope, that we North Dakotans are very proud that President Bush has nominated one of our own to be Secretary of Agriculture and I am here to offer very strong support for the nomination of Ed Schafer to be the new Secretary.

Governor Schafer, as you know, has served two terms as North Dakota's chief executive. He, I think, has firsthand experience on many of the issues that confront us at the USDA. Rural development, trade, energy, conservation, farm policy, all of these are issues that he has dealt with. So he brings, I think, a lot of experience to the job. Governing a farm State like North Dakota has prepared him well for this job.

I might say that in all the years that we have worked together and I have observed Ed Schafer, only on one occasion did I observe him actually shrinking from a challenge and that was because he served as Governor in a neighborhood where our neighboring State, Minnesota, decided to elect a professional wrestler as Governor——

[Laughter.]

Senator DORGAN.—Jesse Ventura—and then Minnesota residents decided to begin wearing T-shirts that said, "Our Governor can beat up on your Governor." North Dakotas in response began to wear T-shirts saying, "Our Governor says, prove it."

[Laughter.]

Senator DORGAN. Governor Schafer seemed sensibly uninterested and nervous about that.

[Laughter.]

Senator DORGAN. But we have worked together. The three of us have worked with Governor Schafer and we are here to say this is an important job. But even more important than that, this is an important time. We have got to get a farm bill done. And you know, this is not about a bunch of us with blue suits and bright lights. It is about a family that gets up this morning at 5:30 to do chores and living out there under a yard light and wonders whether there is going to be a decent safety net when trouble comes. That is what this is all about.

So this is so important. I hope you will move immediately to approve Governor Schafer's nomination. To his wife, Nancy, and Kari, I think it is important to say, thanks for being willing to serve your country. It is not just the nominee, but the family. I think it is important to say, as well, that public service honors the commitment we make to our country's future. I think when people come to this table as a cabinet nominee and present themselves and say, "I am willing to serve," I think it inspires this democracy of ours.

So the Committee can advance that cause of inspiring democracy today by moving quickly to approve this nomination of Governor Schafer to the post of Secretary of Agriculture.

Chairman HARKIN. Thank you very much, Senator Dorgan.

We welcome to this side of the Capitol our colleague, Congressman Pomeroy, again a member of the Agriculture Committee in the House, but also a member of the very powerful Ways and Means Committee.

STATEMENT OF HON. EARL POMEROY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. POMEROY. Mr. Chairman, it is a great pleasure to be at the Senate Agriculture Committee. I feel very at home here. I have got Senator Nelson, with whom I worked on State insurance regulation, and Senator Lincoln, Senator Roberts, Senator Chambliss, Senator Thune, and Senator Brown, all of whom we worked with in the House. I wondered what happened to you all. I see you are doing well.

[Laughter.]

Mr. POMEROY. You seem to have found one another. I——

Senator ROBERTS. It is assisted living.

[Laughter.]

Mr. POMEROY. Well, let me get to the point of the hearing. I think that it is a deep honor for North Dakota to have one of its own, Governor Schafer, nominated to be Secretary of Agriculture. You know, North Dakota is agriculture. Agriculture is North Dakota. It is the biggest part of our economy, always has been, and I think it always will be.

So it is impossible to serve as Governor of North Dakota without being thoroughly familiar with agriculture, family farming, the core of production agriculture in our country, how these rural economies depend on the family farmer, how the family farmer stakes all at the beginning of a crop year to vagaries of weather or markets, and how the Federal Government has to play a role in helping these

farmers navigate those unavoidable risks in order to keep family farming as the centerpiece of U.S. agriculture production.

You know, as I think about the years where we served as a Congressional delegation with Governor Schafer, those were some wild times. You could call him the Disaster Governor, not because he was a disaster but because North Dakota seemed to have nothing but during those 8 years. We had drought. We had flood. We had fire. We had eight Statewide disasters. It is very appropriate that Mayors of Grand Forks and Fargo are with us in this hearing today because of the critical leadership the Governor provided, working with the delegation during those years on the deep problems faced by each of those major cities. Senator Thune was certainly an important part of our effort in the House and North Dakota will always be grateful to you, Senator, for the role you played in those critical days.

Well, Governor Schafer also saw during the 1990's not just natural disasters, but markets that were really something and the trouble we had when we had a farm bill that didn't respond, a price support safety net during years of market collapse.

So I think that the Governor is going to bring a wealth of real practical agricultural experience into this position, in addition, the management experience of having run a State, a $4.2 billion budget, 12,000 employees. I note that during his time, he had a pilot initiative to revitalize rural communities, led a trade missions to China. These are all wonderful points of prior experience to bring to the position of Secretary. I know that he will bring common sense real priorities into that job and I hope that he is given enough of an operating margin so he can bring his own leadership to bear.

Like Senator Conrad said, at this hour when we need to find some common ground, I think that Governor Schafer, hopefully soon to be Secretary Schafer, can help us find it. I am going to be a conferee on the farm bill representing Ways and Means, so I look forward to working very directly with you as we get this farm bill done.

I apologize for needing to leave early. The last plane to North Dakota leaves in a few minutes, and I need to be on it. But I appreciate very much you listening to me. It is great to see you all again. Thank you.

Senator CONRAD. Mr. Chairman, might I just say that on that plane with Congressman Pomeroy, after agreement with Governor Schafer, will be roughly 80 percent of the farm program benefits.

[Laughter.]

Senator CONRAD. We look for some fair distribution, but——

[Laughter.]

Chairman HARKIN. Thank you all very much. Senator Dorgan, Senator Conrad, Congressman Pomeroy, I know you all have busy schedules. We thank you for being here. You are welcome to join us if you like, but you will be excused to continue your work at other places.

Governor Schafer, required of all nominees, would you please stand and raise your right hand.

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. SCHAFER. I do, so help me, God.

Chairman HARKIN. Thank you. And one last question, mandatory. Do you agree, Governor, that if confirmed, you will appear before any duly constituted committee of Congress if asked to appear?

Mr. SCHAFER. I do, Mr. Chairman.

Chairman HARKIN. Thank you very much. Governor, thank you very much again for listening to all this. You can see that there is obviously an intense interest in this position by this Committee and a willingness and a hope to work with you to get our farm bill through and signed by the President and to get it timely implemented.

So with that, again, I welcome you to the Committee. We have your statement that will be made a part of the record in its entirety and you may please proceed as you so desire.

STATEMENT OF HON. EDWARD T. SCHAFER, NOMINEE TO BE SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Mr. SCHAFER. Thank you, Mr. Chairman. I am pleased to be here. It is an honor to appear before your committee today. I especially want to thank Senators Conrad and Dorgan and Representative Pomeroy for your very kind words. It is gratifying that while we have differed politically at times, we have been able to work together for the good of the great State of North Dakota. Over the years, to all of you, I have appreciated your advice and counsel and friendship, and it is indeed an honor to have Team North Dakota introducing me here to the Committee this afternoon.

I am extremely thankful that my wonderful spouse, Nancy, is here with me today. I love you, dear. Among her many roles in my life, she remains an important connection to farm issues, having been raised on a small grain and livestock farm in North Central Montana. Her example of growing up with no running water, sleeping on the living room couch as her bed, and swimming in the stock tank, to becoming the First Lady of North Dakota is inspiring and it is a great example of the values and the character that are instilled by a rural lifestyle.

Our youngest daughter is here with us, also. Thanks for being with us, Kari. We really appreciate her being here. Our other children, Tom and Ellie and Eric, couldn't join us, but they are gathered around their televisions. Hi kids.

[Laughter.]

Mr. SCHAFER. I would also like to take this opportunity to personally thank the 640,000 citizens of North Dakota, as they are my supporters, the shapers and encouragers in my life. Since this hearing room is a bit small to invite them all here today, I have to settle for thanking them from afar.

Mr. Chairman and esteemed members of the Committee, you have all seen my resume, so I won't use the Committee's time to discuss at length my life's professional experience, which I believe well qualifies me for this position. However, I would like to speak briefly about the question most of you asked me when we met face-to-face prior to this hearing. Why do you want to be Secretary of

Agriculture? Answering this question is a good way to start this hearing. How I arrived here today and the path I took through life will, I believe, explain why I want to lead the United States Department of Agriculture.

The first part of my answer comes from Senator Dave Durenberger and a saying that he was given at his swearing-in ceremony here in the Capitol. It reads, the sign of God is that we will be led where we do not expect to go. I believe God prepared me for this assignment and led me here, and for that, I am grateful.

The second part of my answer starts with a shipbuilder. I bet you didn't expect that in front of the Agriculture Committee hearing here, but my maternal grandfather arrived on our shores in 1901 from Denmark with seven cents in his pocket, the clothes on his back, and this very ring that I wear today. He eventually arrived in Western North Dakota, not to build ships, but to homestead a quarter section of land. His shipbuilding skills did come in handy when he needed to put up a barn that looked an awful lot like an upside down boat.

But he was committed to making a better life for himself and his family and he became a good farmer and with my grandmother, Johanna, raised seven children there. He had no idea of the influence he would have on generations to come, and unfortunately, he didn't live to see me elected as the 30th Governor of the great State of North Dakota or nominated to be Secretary of Agriculture. He probably wouldn't have believed it, either, but I do believe he would be proud.

On the other hand, my paternal grandfather died when my father was 16 years old. Dad decided then to move off the farm and staked out a life in town. As a traveling salesman, he discovered a better way to clean and shine linoleum and started selling Gold Seal floor Wax door to door. Harold Schafer's customers were people living in farmhouses that dotted the land. When business built up, the first store accounts were small rural hardware stores, lumberyards, and grocery stores. His business success was based on the economy generated by agriculture.

From both sides of my family, I am a product steeped in agriculture tradition and economy. In my work as Governor, I developed a passion for the rural community because I saw the value that people living there bring to our republic. There is no doubt in my mind that the agrarian community produces people with the virtues of courage, hard work, justice, honor, truth, and hardiness, the cornerstones that hold up the United States of America.

By the grace of God, I have grown up in this free country, the progeny of a homesteader and a businessman. I have had the privilege of carrying the opportunities of my education, experience, and heritage to a long and successful career in both the public and private sectors of our society.

When President Abraham Lincoln founded the USDA in 1862, he called it "The People's Department" because of its ability to improve the lives of so many Americans in so many different ways.

I arrive here today with my heart in agriculture and my foundation in business, a combination that I hope you will agree is a perfect fit for the rigors of administrating and managing the USDA.

I want to express my appreciation to President Bush for nominating me to lead this important agency, and if I am so honored to be confirmed by the U.S. Senate for this job, I pledge to work with each of you and this Committee during these exciting times for agriculture.

If confirmed, I look forward to having the opportunity to stand beside what I know already to be the great employees of the USDA, to help enhance our country's vibrant agriculture economy, advance renewable energy, and protect America's safe and low-cost food supply. I will devote myself to improving the nutrition and health, enhancing rural infrastructure, promoting good stewardship of our National Forests, and conserving our natural resources. And finally, if confirmed, I pledge to work tirelessly to ensure that the USDA programs are administered efficiently and effectively, and most important, with fairness and equality. The American people deserve no less from the People's Department.

Mr. Chairman and members of the Committee, to start this journey, I humbly ask you for your support for confirmation and I look forward to serving the people of the United States of America. If in some small way I can contribute to the preservation and protection of our foundational strength through agriculture, then in the end, I believe I will have done my job well.

Mr. Chairman, I submit my comments for the record. Thank you again for the opportunity to appear before you today and I look forward to answering your and the Committee's questions.

[The prepared statement of Hon. Edward T. Schafer can be found on page 51 in the appendix.]

Chairman HARKIN. Thank you very much, Governor.

We will now start a round of 5–minute questions. I will, after my questioning and the Ranking Member's, I will recognize Senators in order of appearance, and it would be as follows: Senator Conrad, Senator Roberts, Senator Lugar, Senator Salazar, Senator Thune, Senator Coleman, Senator Klobuchar, and Senator Lincoln, in order of appearance that came to the Committee.

Governor Schafer, again, we are not expecting you to answer in great detail program and policy questions that you will have to delve into as Secretary. You will have to take more time to get up to speed on that. We understand all of that. But it does, I think, seem reasonable to ask you some of your views on the Federal Government's proper role in our food and agriculture system and in rural communities.

For example, just a broad opening question, what do you believe should be the role of the Federal Government in providing financial assistance to farmers and ranchers?

Mr. SCHAFER. Thank you, Mr. Chairman. I appreciate the question because it is really why I am here today and so pleased to have been nominated for the Secretarial position. I believe that the USDA is a strong advocate for agriculture. They have delivered the safety net programs responsibly and efficiently to the farmers, ranchers, and land owners of this country.

You know, as always when I speak to farmers around, they say, well, I am not so sure I like government in my business and I would like to be able to operate more on my own, and also they talk about the importance that the agriculture programs bring to

them. I think it is important to note that the government and through the taxpayers of the United States of America provide good support programs, not only for farmers and ranchers, but provide nutrition, nutrition assistance, inspections, providing a safe and clean and constant food supply. The government, through the USDA in this case, certainly operates well and efficiently in that arena.

So I believe that the role of the USDA is to bridge that gap between the government programs that are put forward by the policymaking branch of government to the people who are actually working the land, who are depending on the safety net programs and support programs, and those people of the United States who are often forced to partake in the support programs out there for their everyday lives. If we can at the USDA bridge the gap between the government and the people who depend and rely on the programs, I think we will have done our job well.

Chairman HARKIN. Thank you. Governor, in 1997, you wrote a letter as Governor of North Dakota to President Clinton urging him to sign a bill providing agriculture disaster relief to farmers from North Dakota and other States affected by long-term droughts and other weather problems. The cost of that bill was $8.4 billion. It was designated emergency spending. It did not require a budget offset.

Over the last several years, President Bush has consistently demanded cuts in other farm programs in order to pay for agriculture disaster assistance. On two occasions, farm bill funding was taken away to pay for disaster assistance. As everyone heard me say any times, $3.9 billion was taken from the conservation program for disaster payments and was never replaced.

Given this history, could you enlighten us as to what your current view is on the need for budget offsets for disaster assistance programs.

Mr. SCHAFER. Thank you, Mr. Chairman. I appreciate the question involving my writing a letter to the agency, because as Governor of North Dakota, I interacted with the programs often and I did write a letter to President Clinton not once but many times. As noted, we had several disasters in North Dakota during my tenure. I also wrote letters to the agency encouraging the delivery of programs in special ways in disaster conditions.

As Governor of the State of North Dakota, you know, it was easy to be a champion for my State and to talk to the leaders of the farm and ranch groups, to talk to individual farmers and ranchers, and to understand the need for this disaster assistance, and I was glad so to write that letter.

Now, if I am confirmed, I move into the national arena and no longer would champion any State-specific needs but look at the overall policy and the needs of this nation. Importantly, disaster safety net programs are a part of past farm bills and need to be a part of future farm bills. I understand that through the negotiations and conversations and debates that have taken place between the legislative branch and the executive branch that there are some differences of opinion about disaster, and as I stated, you know, there are the different views that I have been catching up on and briefed on and certainly seen in the news.

But importantly, I believe that a good farm program needs to have a safety net for the risk of doing business as farmers. I will look forward, if I am confirmed, to working with you to help bridge the gap or narrow the differences between the executive and legislative branch, to come to a conclusion, to sign a farm bill that is appropriately paid for by the citizens and takes care of farmers and ranchers and land owners in this country in an appropriate manner that includes a safety net that allows them to operate and to do business well.

Chairman HARKIN. Thank you. I see my 5 minutes is up. Senator Chambliss?

Senator CHAMBLISS. Thank you, Mr. Chairman.

Governor, the farm bill that we passed out of the Senate has a provision in there for disaster which is a very unique approach, a very different approach. It is funded by not raising taxes on the American people and I urge you to take a quick look at it as soon as you occupy the office so that as we go through the conference process that you will be very familiar with that and can render the good advice that I know you are prepared to give to the White House.

Speaking of that, we originally dealt with Under Secretary Keenam as a part of writing of the Senate farm bill. Now that we are into conference, as expected, Acting Secretary Conner has been our main contact at the White House. Now you are going to be the third voice of reason injected into the process and we certainly look forward to that.

As you might can imagine, cotton is a very important crop to my home State. Cotton production has changed over the years, as has the market and destination for cotton, but it still remains just a critical crop from the standpoint of growth as well as economic production in the United States.

Ten years ago, Europe accounted for a significant share of world trade and now consumption to the region accounts for relatively little with respect to cotton. By contrast, Asia now accounts for more than half of the world's cotton mill use. Because the market continues to evolve, Cotton Outlook, the leading commercial provider of international cotton market information and analysis, will discontinue the North European A Index values beginning August 1, 2008. This will require a change in how the Department determines the adjusted world price for the Upland Cotton Marketing Loan Program.

The Department has the authority to make appropriate adjustments for determining and calculating AWP and my question to you is will the Department and you as the head of the Department ensure that an accurate world price is discovered in the absence of a North European index and base the determination on publicly available price information? And can you give us the assurance that this transition will be made seamlessly, in a manner that will maintain the confidence of my producers as well as the entire cotton industry that they have in USDA's administration of the cotton program?

Mr. SCHAFER. Thank you, Senator. I appreciate your confidence in me, and I would note that earlier today, I was admiring myself

in the mirror and have the nice white cotton shirt on. That made the image pretty good.

[Laughter.]

Mr. SCHAFER. But I appreciate the question and it is something that I am anxious for, because if I am confirmed, I really am looking forward to getting to the agency. There are many people over there who are steeped in agriculture policy and direction and I really look forward to getting fully briefed on the issues, especially with cotton. As you know, being from a Northern State, I don't have as much background and experience in cotton and some other Southern crops, but I look forward to the opportunity of working with you and checking out those peanuts and getting up to speed on the issues. So I would look forward to getting to the agency, finding out the intricacies of the details and working with you to move forward.

Importantly, I believe that the role of the USDA is to deliver the policies, programs, and directions from this body as best as possible. If I am confirmed, I will lead an agency that is responsive to you, that has built a partnership with this Committee so that we can look at those issues and difficulties.

I would also note that when speaking with the President, he asked me to get involved in trade issues. As these trade issues come to the forefront, I look forward to working with the White House on international trade, how they affect crops and cropping patterns in the United States as well as internationally, and would seek your advice and counsel as we move forward.

Senator CHAMBLISS. And when you get home tonight, check that label to make sure that is U.S. cotton that your shirt was made from.

[Laughter.]

Senator CHAMBLISS. Over the last several years, I have come to have a passion in something Republicans—you might be surprised—have a significant interest in. Part of it is due to my friend, Senator Lugar, but we have a great network of food banks in my State that serve such a critical function. As a part of the work that our food banks do all around the country, USDA, in particular this Committee, has been involved in the Emergency Food Assistance Program and providing excess agricultural products to those food banks. There have been some years when we haven't been able to provide as much as we would want to. Now, as we are in the midst of a slow-down in the economy of this country, I think this is the kind of issue that strikes at the heart of what USDA should be involved in and what the Senate Agriculture Committee should be involved in, and as a result of the efforts of this Committee, we are with our farm bill.

But I would just simply ask you to commit to working with the relevant agencies at USDA to continue to look at innovative ways to help provide excess agricultural products that are available to these food banks around the country.

Thank you very much, and we look forward to moving your nomination.

Mr. SCHAFER. Thank you, Senator.

Senator CHAMBLISS. Thank you.

Chairman HARKIN. Senator Conrad?

Senator CONRAD. Thank you, Mr. Chairman. One thing I would like my colleagues to know is a little bit more about the background of the Governor. We grew up together, just blocks apart. His father was the most successful businessman in our State as I was growing up. I had Mr. Bubble bubble bath and Snowy bleach. Those are names that I think most everybody recognizes. But more than that, his father——

Senator CHAMBLISS. Were they taking neighborhood bubble baths? Is that what——

[Laughter.]

Senator CONRAD. These Georgia peanut guys—we are always having trouble with them.

His father was also the most generous philanthropist in our State, and never for publicity's sake. I can remember when I was of college age, Harold Schafer invited me to his office and asked me if I needed help going through college. It turned out in my case we did not, but I know that he did that for dozens of young people in my hometown, outside of our hometown, helped people go through school. When people had a problem in their families or tragedy, often the first person on the doorstep was Harold Schafer to help out quietly. It says something about the quality and the character of the family that he comes from, so I think people should know that.

On a specific note, we are working right now as we move through the Conference Committee with the special challenge of the question of new revenue. Our bill is over the so-called baseline. The administration's own bill is $8 billion over the baseline, not surprising, because we have written this farm bill with $17 billion less in the baseline than we wrote the last bill. So if we are going to have, for example, a strong energy provision, we are going to need revenue to do that. If we are going to deal with the other demands in terms of nutrition and safety net, there is going to have to be some new revenue.

I just say, the bill and the revenue provisions that are in the Senate version passed the Senate Finance Committee 17 to four, totally bipartisan, totally noncontroversial, but we have heard White House objection. We are working in the Finance Committee now on a new package that the Finance Committee has identified as provisions that have passed previously, not gone through the whole process, but passed one body or the other with White House support, with support from the House of Representatives, but have never been implemented, so that we can come forward with a new package of revenue that should be totally noncontroversial.

I am not going to ask you, and I don't think it is appropriate at this point for you to have this put to you, because this is going to have to deal with the White House, but I think it is very important that you know there is a very serious effort underway at the direction of the Chairman of the Committee, working with the Chairman of the Finance Committee and working with the Ranking Member, to identify new revenue sources for this bill that would be totally noncontroversial. But I just want you to know, I think in the judgment of this Committee, there is no way to write this bill and pay for it without some revenue source given the circumstances we confront.

Again, I want to congratulate you on your nomination.

Mr. SCHAFER. Thank you, Senator.

Chairman HARKIN. Thank you very much. Senator Lugar, I guess—I am sorry, Senator Roberts. I apologize. Senator Roberts?

Senator ROBERTS. No need to apologize, Mr. Chairman. I always knew that Kent Conrad was squeaky clean, but I didn't know it was because of the bubble baths of Ed's dad.

[Laughter.]

Senator ROBERTS. Did you do that every Saturday night, or——

Senator CONRAD. Pretty much.

Senator ROBERTS. Pretty much, whether you needed it or not.

[Laughter.]

Senator ROBERTS. Governor Schafer, you have my vote and best wishes. Return with me now to the not-so-thrilling days of yesteryear, when just last year we faced the budget challenge that Senator Conrad has talked about. Much of that challenge, as he has indicated, was over funding and finding offsets, which is the new game in town, for new programs or to increase any program. It was embarrassing. As a matter of fact, it was a little ugly to see Kent and myself crawling around on our hands and knees, looking under every chair, every cushion for any change that we could find. But that is what we had to do and we did come up with a bipartisan approach in the Finance Committee and I hope we can do that again.

But after all that was decided, despite this challenge, there was an effort to keep the direct payment rates at their current levels. I truly appreciated your list of priorities. I would only add one in and that is to preserve farm income, which I think is the biggest rural development program of all.

In their own proposal released almost a year ago, the Department actually offered a slight increase in the direct payment, roughly $5.5 billion worth, if I recall, and this is the most trade-friendly program in the commodity title. As Frank Sinatra and Kermit the Frog can tell you, it isn't easy being green. If you use the Direct Payment Program and you believe in Doha and the trade rounds, it is the greenest program.

It is also the only program, along with crop insurance, that actually assists farmers and their lenders during times of loss. When prices are high, the countercyclical program does not help producers when they have lost the crop. And you have just gone through, or as Kent has pointed out, eight times you went through that when you were Governor—eight times. We have gone through it four of the last five years in Kansas, four. You had eight charts. I only had four. But we just went through a terrible time in Kansas. We had a blizzard and we had tornadoes sweeping entire towns away, and then we had all of Southeast Kansas underwater. Then we got into an ice storm. I don't know what is next, maybe a plague of locusts. I certainly hope not.

But at any rate, we figured it up, and under the countercyclical program, despite the best efforts of this Committee and others and the administration and everybody concerned and the farm organizations, all the commodity groups, if you lose a crop, you are really in trouble because all you have is that direct payment and crop insurance, which, by the way, Bob Kerrey and I worked on for an aw-

fully long time and that is what we have to rely on. And if you have a good crop insurance program, it makes the disaster payment less—you have to rely less on a disaster payment.

I have a little bit different view. I think if you set up the fund, you spend it, as opposed to disaster by disaster. There are two views to that. We only seem to have the disaster especially during an even-numbered year.

At any rate, we now have the administration, both the House and the Senate, on record supporting the Direct Payments Program at the current level. There are some that may want to reopen that debate, use the Direct Payment Program to offset increases. How do you view the Direct Payment Program? Will the administration continue to vigorously support the program as they did in their farm bill proposal?

Mr. SCHAFER. Thank you, Senator. I can tell you, as Governor of an agriculture State, in visiting with the farmers and ranchers across our State, I know that direct payments are an important part of the program. I understand that there are some issues here, and today in the exciting times of agriculture, when prices are as high as anybody can remember——

Senator ROBERTS. I am going to interrupt you for just a minute, and I apologize for this—we do this all the time, so don't worry about it——

[Laughter.]

Senator ROBERTS [continuing]. These prices, just ask at any North Dakota coffee shop or any Kansas coffee shop, do you think these prices will continue? This situation is similar to the Russian grain sale. We can all go back to the times when the prices have been up and down. These are astounding prices, due in part to renewable fuels and demand in regards to worldwide crops, India, China, so on and so forth. I know that. But I also know that it can go down the other way. And again, it is for the farmer who doesn't have a crop. The farm program should be aimed at the farmer when he needs it the most, and these are the two things that you can do. One is crop insurance. One is direct payments. I apologize for interrupting you.

Mr. SCHAFER. I am glad you did, Senator. I appreciate the clarification and I agree with you. These are important safety net issues. As I mentioned earlier, I believe that a farm bill has to include those issues. I hear from farmers and ranchers all across North Dakota that rely on those direct payments and crop insurance payouts in time of disaster. As Governor, I have been through over and over and over again, as you mentioned, disaster situations, whether it was floods or that dealt with prevented and even late planting. Things are difficult out there if you don't get a crop, as you mentioned.

So I understand the good parts of the farm bill. I have listened to farmers complain about the bad parts of the farm bill. I just look forward to, if I am confirmed, to working with you to understand those issues strongly and be an advocate for them.

I grew up with farmers as neighbors and I want to make sure that those farmers and ranchers understand that the Federal Government, the taxpayers, and this Committee and the Senate is behind them. I believe that we all want to deliver programs that help

our country's farmers manage the farm economy during times of problems and distress. I believe that the USDA has delivered programs well in the past, and if I am confirmed, I look forward to the opportunity of helping deliver those programs as best as possible.

Senator ROBERTS. Thank you for your response and thank you, Mr. Chairman. I apologize for going over my time.

Chairman HARKIN. Thank you very much. And now, Senator Lugar.

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

Governor, we have been reading, at least those of us who are interested in agriculture newsletters, words from Collin Peterson, the Chairman on the House side, with regard to the farm bill and these suggest that the administration has two large objections. There may be smaller ones. One, Senator Conrad has touched upon, and that is the means of financing the farm bill as found in the House and the Senate, and the other, the lack of limits on payments to farmers who receive very large amounts from the farm bill. There were amendments offered on the floor. The Senator from Minnesota offered one, as I recall. Others offered some capping at $1 million, $750,000, what have you.

One of the intriguing facts of the hearing we had with Secretary Johanns was the number of committee members who seemed preoccupied with the thought that Secretary Johanns was in favor of limiting the payments to $200,000 or some such amount, which would lead one to believe that a good number of our colleagues are tremendously interested in having higher payments, and very clearly the amendments to limit any of these failed. So this is one objection the administration, as I see it, has to the farm bill.

The financing parts, and I am intrigued by what our colleague, Senator Conrad, has said, that he has worked on trying to think of some other way to pay for this, and maybe that will turn out to be more successful. But for the moment, Collin Peterson says to some agriculture newsletters, we are going to finish the conference on this bill, it will be vetoed, then we will try again and somehow get to conclusion before the March recess with a bill that the President can sign.

Now, you come into the picture in the middle of all of this, and obviously you can certainly reserve judgment as to what the administration is saying to anybody, but what sort of road map do you foresee for the conclusion of a farm bill, or do you foresee extension of the current bill for a period of time? Some of the programs at some point come to an end. At least some farmers are concerned about jeopardy of some programs if the Senate and the House are not able to act and the President sign it, so that we will be coming back to look at emergencies of that sort fairly early in your tenure. Do you have any comment about all of this?

Mr. SCHAFER. Thank you, Senator. I share the same enthusiasm and excitement in the agriculture community today, and I want to congratulate this Committee and the work that was done to put the farm bill together. I applaud the tremendous support from both sides of the aisle to put forth a good new farm policy and farm bill.

As was mentioned, I am the new kid on the block and I am looking forward to getting to the agency and getting fully briefed. I

have read the elements of the farm bill; however I must admit that I haven't read word-for-word the full 1,000 pages, but I do look forward to getting over to the agency. I want to commend Acting Secretary Chuck Conner, who has been the lead point person in driving the Administration's policy and interacting with the Senate and the Senate Agriculture Committee regarding the issues.

I really look forward to, if I am confirmed, getting over there, standing side-by-side with Chuck Conner and the other great members of the employee base at USDA and working with you to help craft that difference. You know, there is a gap between the legislative and executive branches here and I hope that as the new kid on the block, I can come in with a fresh perspective, a different outlook, and be able to narrow that gap, because I know that the President wants to sign a new farm bill this year, and I think all of us working together hopefully can accomplish that.

Senator LUGAR. Thank you very much, and good luck.

Mr. SCHAFER. Thank you.

Senator LUGAR. Good luck.

[Laughter.]

Chairman HARKIN. This would be Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

Governor, I have got a concern over the amount of time that USDA has taken to implement two recent programs. One is the Ad Hoc Disaster Program that we passed, the Congress passed last May. It took USDA 5 months before beginning sign-up and 7 months before payments were made. The State Areas for Wildlife Enhancement, or the SAFE program, was announced in March of 2007 and still no sign-up date has been announced nearly 10 months later.

Of course, the farm bill will be much more complex under the programs under the farm bill, and I guess my question is what steps will you take as the Secretary of Agriculture to ensure the timely delivery of farm bill programs based upon the sort of just lack of any sort of timely progress in terms of implementing these other programs that I just mentioned.

Mr. SCHAFER. Thank you, Senator. Certainly, as Governor, I had the chance to interact with farm programs and the delivery of farm programs and heard from farmers, ranchers and land owners across my State when there were problems, slowdowns, or when things didn't get delivered.

One of the things that I believe I was successful with as Governor was the delivery of programs that were put forth by the legislative branch. Often, I found myself finding out where the barriers are, getting rid of them so that the good employees can get their jobs done as best as they can.

There are a wide variety of reasons why these barriers or delays occur. I am not aware of the current situation, but if confirmed, I look forward to getting to the agency and getting briefed on this issue. I bring a management style that is open, transparent, and willing to address problems. If there is a slowdown, a barrier, or something in the way of delivering a program, I believe it is my strongest mission to deliver programs as fast, as best, and as efficiently as possible. So I will hear the complaints, I will find out

where the slowness is, and I will try to break down those barriers and move them faster.

Senator THUNE. And I would just say that the State Areas for Wildlife Enhancement Program, the SAFE program, is something that my State of South Dakota is uniquely positioned and qualified for. We have probably the best pheasant numbers of any State in the country and had some extraordinary success the last couple of years. USDA announced just recently which States were going to be eligible for that program and South Dakota wasn't one of them, and it seemed to me at least that would have been one of the first States that they would move to implement the program. Again, they have now started to make some announcement about it, but they still haven't had any sign-up, and that is going to be—like I said, that is an announcement that came out 10 months ago.

And the disaster payments, the bill that was passed in May of last year by the Congress, took 7 months for payments to go out. And so I just would urge you, as you get over there, to really home in on this and bear down on the agency's ability to respond in terms of getting some of these important programs implemented.

Another question I would like to ask has to do with conservation, but I guess, would you favor language in the farm bill that would grant you the authority to allow CRP contracts to be terminated early without penalty. Think about that question, and if so, under what circumstances would you exercise the authority to allow early termination of CRP contracts? There is a real concern out there that a lot of ground is going to be coming out of CRP and being put into production and there is already a lot—the contracts that are expiring that aren't being renewed and so we have got, at least in my State, about a half-a-million acres coming out of CRP in the next 3 years.

So the question has to do with whether or not you would have the authority or would like to have the authority to allow those contracts to be terminated earlier.

Mr. SCHAFER. Well, thank you. I have to say I am looking forward to, if confirmed, getting to the agency and learning more about this. You ask what on the outside, seems to be a relatively easy question. On the other hand, I also know from working with people that are enrolled in CRP, that this is a very complex issue. I know there are many people at the agency that are tuned up on this issue and I look forward to get in there myself.

But there are complex issues as far as farmers signing the contract, agreeing to a time period, agreeing to a penalty if they remove that time period fast, or faster than the full length of the contract. Those things are at issue. The initial CRP program was for land that wasn't the best farming property in the history of the world. I mean, it was meant to provide that acreage that isn't tillable or isn't great productive land into the program to provide not only the idling of the land, but also great wildlife habitat, as we have found out through the life of the program.

So the way I would answer the question is I believe that it is a complex issue. There are legal aspects involved. There are not only cropping patterns, but wildlife preservation and conservation issues, and I think there are lots of opportunities to make sure that the needs of the farmers are met, the needs of the wildlife commu-

nity are met, but also to deliver the programs that were meant and put forth by this Committee hopefully in the new farm bill.

Senator THUNE. I appreciate your answer to that. I guess I just think it is really important that as we look at this, that we do strike the right balance between these competing priorities. There is a real demand for more production and for cropping a lot of these lands that have been in CRP, and certainly economic incentive to get out for a lot of farmers based on current market prices. But I think it is really important that we have a good, strong, robust CRP program and that there are rules that were put in place for people who enter into those contracts and I hope that as you get over there to the agency, that you will try to strike and achieve that balance, strike that balance and hopefully make sure that those contracts and programs are continued in a way that promotes good environmental stewardship coupled with the need for production, as well. So thank you.

I can see my time is out, Mr. Chairman.

Chairman HARKIN. Thank you. Senator Coleman?

Senator COLEMAN. Thank you, Mr. Chairman.

Governor, I was traveling last week in Mankato and Windom and farmers there are trying to figure out what sort of safety net they can have in 2008. I think the bankers want to know that, too. There has been a lot of discussion, and in my opening statement I talked about my belief that you would be a good negotiator. You bring the right qualities to the table. There has been a lot of talk about prospects of the President vetoing a bill. I know Senator Conrad has been working on some alternative offsets.

We have all tried to be very, very constructive internally amongst ourselves. There are many points at which this bill could have pulled apart, and even with there being some disagreements, regionally, whatever, and my concern is that as we work with the administration, that the attitude is—and I understand negotiation, which is we are going to be tough here and you are going to be tough here, but this is a process that I think demands a positive approach. I think you have got to send a message to the people in Windom and Mankato and other places in Minnesota and throughout this country that we want a farm bill and that we are going to try to figure a way, where there are concerns about offsets. So we are working on it. But I would just hope that I would get a little more constructive message as you move into this position, which I hope we do very, very quickly.

Let me just raise one other issue, one that I know you know well. We often say that Washington is a town of a thousand issues and a few priorities. In the Red River Valley, sugar is a priority. It is a major concern. It is part of the economic bedrock, the foundation of the communities there. I know that the U.S. and Mexico recently agreed to trade terms on tomatoes, and then I believe some time ago there was a similar arrangement with regard to chicken in particular.

U.S. and Mexican industries—sugar—have come together and offered some recommendations about how we can implement NAFTA without affecting any other single industry, again, similar to, I believe, what was done with tomatoes and chicken. It is not reopening NAFTA, and as I have noted in regard to other commodities,

I certainly don't think it is a precedent. USDA and USTR are already engaged with my office. I have had some discussion, looking to get people together. My hope was that the approach to this would be one of folks listening, sitting down with the industries. There are going to be some changes with the NAFTA, again, a constructive approach.

My question is, I want a sense from you about your commitment to continue the discussion to at least approach this with an open mind until you hear, until the administration sits down and hears from the industry to see if, in fact, we can do what I believe we—in the other areas, we had a problem and then we addressed it. Here you have folks saying, before you have a problem, is it possible to address it? So I am looking for a commitment to being a good listener before the Department articulates a position.

Mr. SCHAFER. You have that, Senator. I will be a good listener. As you mentioned, our neighboring States deal with sugar issues all the time. I understand the long-term aspects. Years ago, we were fighting about trying to export our high-fructose corn syrup into Mexico. Now that is displacing sugar down there and they want the sugar to come up this way. Those are trade nuances and balances that go back and forth and we are seeing the long-term effects of what our trade policy and directions do. So I really look forward to working with you and listening to you with the intention of figuring out what is the best public policy direction for these issues.

I would note, I was very pleased to have already received several letters from the Mexican Consulate congratulating me for coming, but also looking forward to opening the door to working on these issues together. If I am confirmed, I will have the ability to get the sides together and understand the differences and make some progress.

Senator COLEMAN. I think that would be very helpful. I for 4 years was the Chairman of the Western Hemisphere Subcommittee on Foreign Relations. I am on the Foreign Relations Committee. I recently met with the Mexican ambassador and raised this issue. All too often on trade, we look at, well, if we open this up, it is going to open another door here and there is going to be a problem. This is one where, because this would be good for American sugar but bad for Mexican, so the Mexicans are going to want something else when it comes to pork, this is a little unique here in that you have folks on both sides saying, we want to work out something not impacting other industries, not calling for tradeoffs, and perhaps avoiding a problem before it begins.

So I am pleased with, one, what I know to be your style is to be a listener and to be fair, and bringing the clear understanding and sensitivity you have to the importance of the industry as it impacts both my neighborhood and your neighborhood, in essence, and all of us. So I appreciate your response, Governor.

Mr. SCHAFER. Thank you.

Senator COLEMAN. Thank you.

Senator CONRAD. Mr. Chairman, might I ask our colleagues for a moment of indulgence to just introduce two mayors who are here with us?

Chairman HARKIN. Absolutely.

Senator CONRAD. From two of the major cities in North Dakota, Mayor Walaker of Fargo, if you would stand, and Mayor Brown of Grand Forks. And also here, Phil Harmeson representing the University of North Dakota, which is the Governor's alma mater. So we have got not only the North Dakota Congressional delegation, but other important figures in North Dakota who are here supporting the Governor's nomination.

Chairman HARKIN. Thank you very much, Senator Conrad, and we certainly welcome you to the Agriculture Committee here today. You will all notice there is one thing different about this room than all other committee rooms in the entire U.S. Senate. We don't sit on a dais and look down on people. We all sit around a table. It is very collegial, sort of in keeping with the collegiality of this Committee going back for years. I have to say that this is—I always feel, this is my seventh farm bill, I think, something like that—farm bills are by their nature never partisan. Regional, yes.

[Laughter.]

Chairman HARKIN. Oh, we can get into regional disputes and stuff, but never partisan. I think the way we sit around this table, I think is very indicative of that. There have been suggestions in the past about changing this, but I am sitting here with, let me see, one, two, three, at least three or four former Chairmen of the Committee and every one of them have all deigned to keep this the same and I think it makes for a good atmosphere here. So I just wanted you all to know that you won't see this in any other hearing room anywhere in the Senate. I think we kind of like it that way.

Thank you very much, Senator Conrad.

Senator Klobuchar?

Senator KLOBUCHAR. Thank you, Mr. Chairman. I welcome our visitors from North Dakota. I note that in Chairman Harkin's spirit of friendliness, I appreciate that you not bring up the embarrassing loss of my State to the North Dakota football team.

[Laughter.]

Senator KLOBUCHAR. But I did want to talk a little bit about sort of following up on what Senator Conrad was talking about, which is the need to get this farm bill through and find this revenue, the fact that the last farm bill came in $17 billion under budget, and really the revitalizing effect it had on so many of our rural communities.

I was thinking about this as I thought about the stimulus package that we are talking about. While you were testifying, I was looking at some papers about that and I think that is important, but we really also have to look to the long-term, and what I saw in my State in this past month was just this enormous potential, of course, with wind and solar and all of these things, and make sure that we have policies in place also to keep promoting really the next generation of ethanol, the cellulosic ethanol, which is what I wanted to focus on here.

The corn-based ethanol, the biodiesel, soybean-based biodiesel, very important to our State. I think it is going to get more and more efficient as we go forward. I have talked to President Bush about this. I know he supports it. But I also want you to note to him and to the administration the important energy policies in this

farm bill with the incentives for cellulosic ethanol and the Biomass Crop Transition Assistance Program. There is a similar one on the House side.

I just see this, if we are going to truly break the shackles and the dependence on foreign oil, that we are going to have to look to other forms of biomass, as well, and I wondered if you would comment about this and about looking at this farm bill also as jobs and stimulus for our rural economy.

Mr. SCHAFER. Thank you, Senator. I really appreciate the question because this is an issue that I have been heavily involved in both as a Governor and as an individual for many, many years. I especially liked your comment about the ability to move the energy arena into a more self-sufficient—I am paraphrasing, but a more self-sufficient arena, because in 1996, I was Chairman of the Interstate Oil and Gas Compact Commission, which are all of the oil and gas producing States in the country.

As Chairman, I helped author a pamphlet that was titled, "America: A Dependent Nation." At that time, we predicted when oil imports were a little over 50 percent that there will come a time about now that oil imports will be over 65 percent. As we put together that forecast, we put together ways that we can lessen our dependence on foreign energy sources.

I firmly believe that merging the energy and agriculture arenas is a way to do that. We have seen the ethanol, and I have supported value-added agriculture in our State, both in fuels and other energy sources. But importantly, as we have seen the bioenergy increases, we have seen pressures on other areas—food prices, feed prices as people have moved their cropping patterns from wheat to corn and those prices have gone up. Wheat prices have gone up. We are seeing the effects.

I believe one of the most important things that we can do to move forward is to continue the effort, the research, the resources to make sure that we move energy efficiency into the next level or the next area by finding feedstocks that don't affect prices, that don't affect food price, et cetera. So switchgrass and the other feedstocks that go into bioenergy, I think are one of the most important issues that we can do as we move from—keeping the focus on renewable energy, but moving from feedstocks that affect food prices and other feed prices and things into crops that don't do that, and certainly the cellulosic ethanol research and effort that is in place is going to move us in a big direction to do that.

Senator KLOBUCHAR. Thank you, and I note I was listening to Senator Roberts talk about the green part of the bill, that this is also a green part of the bill as we look at putting carbon back into the soil and expanding on the successful ethanol biodiesel we have.

Just the last thing I wanted to mention was in the USDA's farm bill proposals, is on our reform issue, and I spoke earlier about the need to keep considering some of the adjusted gross income issues. But in the proposal, the USDA talked about new rules that strengthen the now difficult-to-measure requirements for the active management contribution to the operation that enables individuals or entities to qualify for commodity program payments without contributing labor to the operation. I believe that the vast—the commodity payments are only 15 percent of the farm bill. The vast

amount of them go to the people who deserve them. But, of course, we have these Beverly Hills 90210, almost 100 people getting farm payments.

I am just wondering, in addition to some of the work we have done here with the three-entity rule and the potential work we can do with the income limits, if there is movement afoot in the USDA to do some rulemaking or move with that or if you would be interested in doing that to make sure that the money is going to the farmers that deserve it.

Mr. SCHAFER. I appreciate you bringing that up, Senator, because I think the response is what the people are asking for. The people want to make sure that their tax dollars are spent wisely, efficiently, and that they go to the people that need them. And as you have worked with the Committee and on the floor championing some of those issues, others have, as well, and there has been, I think, good listening to the people across this country to say, we need to channel these dollars in where they need to go. We need to get them to the people that need the help and we maybe don't have to give them to the people that don't need the help.

Importantly, I believe that as we—I can't tell you right now where I think the actual line is or what that cutoff level should be. I note that both the House and the Senate have made progress toward moving that area. They have made some reforms in the three-entity rule, as you mentioned, but also in lowering the subsidy caps, maybe not as far as some wanted to go, maybe farther than others wanted to go, but I look forward to, if I am confirmed, to getting involved in that debate because I think what it really is, is shepherding the people's money properly and performing to what they want to do. I know you have some strong issues on that and I would look forward to working with you to try to do so.

Senator KLOBUCHAR. Thank you.

Chairman HARKIN. Thank you, Senator.

Senator Lincoln?

Senator LINCOLN. Thank you, Mr. Chairman.

Well, Governor, when you are the last on the list, almost everything has been said or asked. You just have to kind of reiterate it again, so I will try to piggyback on some of what my colleagues have said. I would like to echo what Senator Coleman mentioned. I have been home in Arkansas an awful lot and I have been meeting with a lot of farmers who have been also meeting with their bankers and I think there needs to be a clear voice in terms of what they can expect for the 2008 crop year, and so I hope that as we move forward working on the farm bill, that at some point, there is a clear message of what they can expect and what they are going to be expected to adhere to in that 2008 crop year, because they are going to have to file their plans with you by April 1, I believe, and being able to go to their bankers and make those plans is critical.

I also hope that you will take a look at all that we have done already. I know Senator Klobuchar mentions the need for reform, and we have done a good deal in this bill. We have got more reform in the bills that we have passed up here than really in the history of the farm bill, a 70 percent cut in some of those caps, or certainly the means testing that is being asked. It is important, because

quite frankly, from the GAO studies that we have had, it indicates to us that before, at least I would hope before we would take further steps than that 70 percent cut, not knowing what the consequences are, that we would have a better idea, and their studies indicate to us that USDA has not been implementing a lot of the underlying law. So it would be hard to figure where we are really going and what those consequences would be.

So I hope under your leadership you can take a look at that, as well, in terms of what is being implemented and what is not so that we don't take unintended consequences from making much deeper cuts than the 70 percent we have already gone. So I think that is going to be critical to look at.

I think it is also important to remember what the farm bill does. Senator Klobuchar mentioned the commodity programs and the commodity title are less than 15 percent of the whole bill. There are so many other things that provide us unbelievable stimulus in our rural communities, rural development, nutrition programs, nutrition assistance, conservation, all of those are critical and we look forward to making sure that they are something that is implementable.

I know you have mentioned that you are looking forward to getting over there when we visited, taking charge with the implementation of new authorities that might be included in this legislation and some that already exist. I would also like to encourage you—in the 2002 farm bill, we brought about a new office at USDA, which was the Assistant Secretary for Civil Rights. We have asked time and time again to see action out of that office and I hope to encourage you to seize that opportunity. There is much more that could be done there at a much more rapid pace that I think would bring about a great deal of justice to some farmers across our country.

I also hope that you will take into consideration—I don't know what your opinions are, but when payments follow production, it is much like I imagine what your father faced as he grew his business, that oftentimes when you are faced with growing crops that you are suited to grow that have much stricter trade parameters and trade restrictions than perhaps sugar or other things might have, that you have to farm an economy of scale. If your father hadn't branched out and started building an economy of scale in that business, it might have been more difficult to be successful or to even grow his business.

So I think those are certainly important things that I hope that you will pay attention to. The role that you have to play, I hope you are excited about embracing that, particularly at this delicate time that we find ourselves in crafting a farm bill. I know that the Under Secretary has been very diligent. He has to be. He is a former staffer from Senator Lugar's staff. And he does a great job in working and being in contact with us. But we hope that you will embrace that opportunity to take a role of leadership in there.

The last thing, when you talk about implementing, one of the other things we hear a tremendous amount about in our farm States from our growers and from our farm families is the deadlines, the regulations, all of which they have to meet. They are not capable of doing it online just yet. I know that all of us want to

move into the technological age. They do require a lot of assistance from FSA and we hope that you will work to strengthen both your field offices with the Farm Services, but also USDA.

I know we have great USDA workers in our great State of Arkansas and we encourage that from the top down, you will encourage that engagement and support to those workers because they, in turn, are the ones—they can't file their plans—our farmers can't file their plans if they don't have the information that comes from your agency. And so that connection and that working relationship is absolutely critical and I hope that you will engage in a one-on-one opportunity to really work with the staff that you have in all of these States to really be the useful and helpful agency that USDA can and should be and is oftentimes when they have the resources and when they have the equipment.

We look forward to working with you, as I said. I think many of us take a great sense of pride that we have sat around the table as we do here to come up with a very good, balanced, bipartisan bill focused on reform, but also putting added resources into things that are very important, whether it is the hunger issue we deal with and the nutrition assistance that is there, the conservation programs and others, they are all very important to us.

So I hope that we can continue that work together. I know you are going to get to the agency and get into all kinds of things, so I just thought I would point out to you the things that I look to you for in terms of your leadership roles and the things that I hope you will embrace and engage in quickly.

Mr. SCHAFER. Thank you, Senator.

Senator LINCOLN. Thank you.

Chairman HARKIN. Thank you, Senator.

Governor, we are more than willing to expedite this process, and we will to the extent possible that we can, but now I am going to ask you to expedite something. In 2006, Congress reauthorized and the President signed into law the Livestock Mandatory Reporting Act. The program is critical to providing much-needed transparency in livestock markets. Senator Grassley was one of the big proponents of this. The reported prices and other information by USDA has become an important part of fair prices paid for livestock in the United States.

Two years later, unfortunately, the USDA has still not published a final rule for this important program. As a result, it is still functioning as a voluntary program, leaving the door open for less than completely accurate reporting. And I have got to tell you, this is during a time when I know all the prices, wheat prices are good, bean prices are good, corn are all great prices out there, but all of the prices are in the tank and our pork producers need this vital information.

So as Secretary, will you make implementation of the final rule for this program a priority and publish the final rule without further delay?

Mr. SCHAFER. I will do my best, Mr. Chairman.

Chairman HARKIN. Well, I hope you will do your best.

[Laughter.]

Chairman HARKIN. Two other questions. During his confirmation 3 years ago, Secretary Mike Johanns was asked more than once

about what he would do with regard to reopening U.S. beef trade with Japan. He stated that reopening Japan was his priority No. 1 and that he would be taking a personal leadership role on that issue. Well, although we have resumed the beef trade somewhat, it is still on a limited basis. Problems continue in fully reopening trade for U.S. beef and our producers are frustrated.

As Secretary, what will you do differently at the Department to reopen our Asian markets for U.S. beef? What do you think is the problem? And how soon can you address this?

Mr. SCHAFER. Thank you, Mr. Chairman. I am looking forward to that effort and start addressing it upon confirmation. I understand the issues of trade. As was mentioned earlier, I have led a trade delegation to China from North Dakota. I also represented President Clinton in China on an effort when this body was working on the Most Favored Nation status and moving China into the WTO. I am anxious to get involved in these negotiations and the President has asked me directly to be involved in working with the trade negotiators and the other agencies to deal with this issue.

I know—you asked, Mr. Chairman, what is the basis of it, what are the problems out there, and I think importantly to note that there are science-based standards for our agriculture exports and imports that are accepted by the International Export Society or international governments. The OIE standards are agreed to be met, and Japan does it and South Korea does it and the United States does it and others agree to those standards. Sometimes things get a little off whack and they move away from those standards, but I know for a fact that those OIS standards have declared the United States—the ability for our beef meets the standards, they meet the OIS direction. Other countries have agreed to follow those, and if I am confirmed, I am looking forward to getting over there and pushing as hard as I can to make sure that these countries that have agreed to the science-based standards will actually do so.

Chairman HARKIN. Well, I hope so, and we have got to make it very clear. I mean, I have talked to our Korean friends, and they are our friends. They are good allies, a great nation. We want—I know the President wants a Free Trade Agreement with Korea. I am not opposed to that, but not as long as they keep up their actions on beef. Every time they do something like that, the further away that Free Trade Agreement goes, and I hope you take that message loud and clear to the President.

I have told my Korean friends that, that unless and until they get serious and do the right thing on our beef trade with them, they can forget about the Free Trade Agreement. But we have got a real problem with the Koreans on it, and Japan, too, I might add.

Mr. SCHAFER. Yes.

Chairman HARKIN. One last question. Governor Schafer, the biographical information you submitted to the Committee said that you served as President of a company called Fish 'N Dakota from 1991 to 1997, most of the time that you were also serving as Governor of North Dakota. Now, I looked at some of this stuff, I don't know that much about it and things like that, but there were some problems about taxes and some things like that. Like I said, I don't mean to get into all of that, but there were a lot of press reports

about loans and obligations incurred during your tenure that maybe were not paid in a timely manner. I don't know. There were some lawsuits and delinquencies.

My only question is this, for the record. Can you assure this Committee that all obligations for this business venture have been paid in full, and second, that any obligations were not paid through government guarantees or write-offs drawing upon government funds?

Mr. SCHAFER. Thank you for the opportunity to clarify that. That issue, Mr. Chairman, is one that I have talked about before, and as you mentioned, has been in the news and reports of those things. I appreciated receiving a letter from the Committee on that issue last Friday. I have responded in writing——

Chairman HARKIN. We have that.

Mr. SCHAFER. And noting that, I don't know how many million forms I filled out during this process, but a lot of them were to do with financial disclosure and whether I owed any money or if there were any loans and outstanding balances, et cetera. I have filled all those forms out honestly and correctly, and as I did in writing, I want to assure you that any obligation for Fish 'N Dakota as a company while I owned that company has been satisfied, and any personal obligation that I have in place for any loans, taxes, amounts due for Fish 'N Dakota, I have paid in full.

Chairman HARKIN. Were any paid through government guarantees or write-offs drawing upon government funds, that you know of?

Mr. SCHAFER. Not that I am aware of, sir. I believe that several of the loans were a Community Block Grant loan from a county, were from a cooperative or a county, and an electric cooperative that lent money to the company. Those have all been paid.

Chairman HARKIN. Very good. Thank you very much. I have no further questions. Does anybody have any follow-up questions at all?

We had asked committee members for any written questions they had to be submitted by 6 p.m. Maybe that is not feasible now, I don't know. But let me just say for all the staff that is here, if any of your Senators may not have been here or if they have a follow-up question, if we could have those in writing tonight by, well, how about by 8 or so tonight. Fair enough? So if you have those, get them in tonight. If we don't have any, then we don't have any, but I want to give an opportunity for Senators that may not have been able, I mean, if they could not be here, if they had a question or two, to get that in writing which we will then submit to you for your response, Governor.

Yes?

Senator CONRAD. Mr. Chairman, might I inquire if there is a possibility that the Committee could take early action? This is an unusual situation. I would not normally ask this, but it may be a once-in-a-lifetime opportunity for Governor Schafer to be able to enter the chamber for the President's State of the Union with the rest of the cabinet. Is there any possibility that we could have an early vote out of the Committee so that confirmation could be considered on the floor?

Chairman HARKIN. Well, I don't know. We were just discussing that at the beginning of the hearing here.

Senator CHAMBLISS. Mr. Chairman, I didn't realize you had indicated to folks they need to get their questions in by 6. I mean, this is as big a crowd as we have had for any confirmation hearing, I think in the last several years, and it looks like everybody has had a full chance to be here. If you have told others to have their questions in by 6, maybe we could move this earlier tonight. I have gotten an indication from all of my members who have been here that they will be ready to come back on a moment's notice to try to get a quorum together. Let us get this nomination passed out early this evening.

Chairman HARKIN. Well, I don't know how late we are going to be in, but I had, because of another committee meeting, Appropriations, I had to delay this until 2:30, so I thought, well, we can give them an extra hour. But if we don't hear something back from other Senators by—how about 7, give them another hour to do that.

The problem is, the Senate rules wouldn't allow us to—we don't have a quorum, so we can't report it out, so——

Senator CHAMBLISS. I believe we only need 11, though, to have a quorum, isn't that right? We can't do it now, but if we could do it at 7, try to get 11 of us together——

Chairman HARKIN. We will examine what we can do. I understand that. I appreciate that. I have no problems with that. Sometimes bureaucracy is a terrible thing around here, to try to get things working and get it done, but we will try our best. That is all I can tell you. We will try our best.

Senator CONRAD. I would just say, Mr. Chairman, I would certainly appreciate it personally if we could find a way, and I think this Committee under your leadership has been already so gracious. I again want to just say how much I appreciate what you have already done.

Chairman HARKIN. Well, thank you very much, Senator Conrad, and we will do everything we can to expedite this. Sometimes these wheels turn very slowly for some things, but we will try our best. That is all I can tell you. I give you my word on that. We will try our best to get it done before Monday evening. That is all I can tell you.

Senator CONRAD. I appreciate that.

Chairman HARKIN. Anything else, Governor?

Mr. SCHAFER. Thank you, sir. I appreciate your time.

Chairman HARKIN. Thank you very much, Governor. Thank you all for being here.

The committee will stand adjourned. Now, I don't know when we are going to try to get this together to report this out, but we will try to work something out. That is all I can tell you. I will work with Senator Chambliss on that. Thank you.

[Whereupon, at 5:44 p.m., the Committee was adjourned.]

APPENDIX

JANUARY 24, 2008

Senator Thad Cochran

Senate Committee on Agriculture, Nutrition, and Forestry

January 24, 2008

Mr. Chairman, we appreciate your holding this nomination hearing in such a timely manner. It is important for the position of Secretary of the Department of Agriculture to be filled as we negotiate a conference agreement on the farm bill. I hope this Committee and the Senate will take prompt action to approve this well qualified nominee.

Governor Schafer, welcome to the Senate Agriculture Committee. I am very pleased that the President has chosen a nominee with your knowledge and experience.

Your experience in public service and private business will be very helpful to you as the Secretary of Agriculture. Rural development assistance is an important part of the Department of Agriculture's work. Your knowledge of rural telecommunications will be invaluable in directing the Department to assist rural communities in gaining access to communication and broadband technologies that provide valuable educational and economic benefits.

Many farmers across the country are fortunate to be reaping the benefits of high commodity prices. However, it is important to understand that these higher prices have negative consequences to the livestock industry, especially cattle, poultry, and catfish farming in Mississippi. I look forward to working with

Governor Schafer to ensure the necessary resources are available to assist these producers during these difficult times.

I look forward to supporting your nomination during its consideration by the Senate.

Statement of Senator Mike Crapo
Senate Agriculture Committee
January 24, 2008

Thank you Chairman Harkin and Ranking Member Chambliss for holding this confirmation hearing. Thank you, Governor Schafer, for your willingness to serve as Secretary of Agriculture.

I would also like to take this opportunity to thank Acting Secretary Chuck Conner for the incredible work he has done to lead the Department of Agriculture in the past months. Acting Secretary Conner's substantial knowledge and agricultural background has been invaluable. Acting Secretary Conner has demonstrated strong service to this nation at a time of many agricultural challenges, including foreign trade efforts and reauthorization of the Farm Bill. I appreciate his steadfast work on behalf of farm families across the nation.

Governor Schafer, I do not have to tell you that upon confirmation you will be entering the role as Secretary of Agriculture at a very important time. Congress will likely be putting the finishing touches on the 2007 Farm Bill in the coming weeks, and the Department will have the essential and important role of administering the programs. I understand this is no easy task, but I am confident that you have the strength and background necessary to meet this and other challenges you will face as Secretary of Agriculture.

Agriculture has many opportunities ahead including the expansion of domestic and foreign markets, renewable fuels developments, conservation innovations and more. Additionally, while the outlook for U.S. agriculture is strong, there are also substantial challenges in responding to plant and animal diseases, recovering from natural disasters and other challenges. Your background and work in these areas and others will be of substantial benefit as you lead the Department.

Again, thank you, Governor Schafer, for being here before us today. I support your nomination and look forward to working with you to ensure the long-term viability of our nation's farm families.

Thank you, Mr. Chairman.

United States Senator Ken Salazar
Statement for Record
Confirmation Hearing for Secretary of Agriculture Nominee Ed Schafer
1/24/08

I would like to thank Chairman Harkin and Ranking Member Chambliss for scheduling this hearing.

I would also like to thank Senator Conrad, Senator Dorgan, and Congressman Pomeroy for introducing Governor Schafer. Governor, you could not ask for three better members of Congress to introduce you to the Agriculture Committee.

Serving as the Secretary of the Department of Agriculture is an opportunity to oversee a department whose important work touches the lives of millions of Americans. And, it is an opportunity to improve the lives and communities in rural areas that have, for too long, been the "Forgotten America."

It is critical that the Secretary of Agriculture have a real connection to rural America and a true commitment to making the most of this opportunity. I take my duty as a member of the Senate Agriculture Committee seriously

and I look forward to hearing more from you regarding the opportunity that lies before you.

Perhaps it is helpful to give you an idea of the Department's reach in the State of Colorado. Over 46 percent – 31 million acres – of Colorado's land is used for agricultural purposes, and, as of 2006, there were some 31,000 Coloradans operating that land. Another 20 percent – 14.5 million acres – is home to the 11 National Forests and two National Grasslands managed by the United States Forest Service. In total, the actions of the Department of Agriculture have a direct impact on nearly two-thirds of the land in my state.

For certain, the Secretary has the duty of both implementing the agricultural, forestry and rural-related programs that Congress authorizes and spending the funds Congress appropriates. However, the importance of this opportunity demands that the Secretary must go beyond administering and actively seek to improve the Department and its services to the people of rural America. This is especially true in these times of tight federal budgets. The Department must find a way to do more with less, but not at the expense of the very people and communities the Department is expected to assist.

In short, we need a Department who will fight FOR our rural producers, not a Department who fights our communities in an effort to cut costs.

Today, I suspect you will be asked what is important to you in the Department, what you expect to accomplish, and what your opinions are on a range of programs and policies. These are important questions, and I hope you will candidly address them.

Briefly, in advance of my questions, let me tell what is important to me. I believe that the Department must have the revitalization of rural America as its overarching goal.

The primary vehicle for this ambitious goal is the continued development of rural America's potential to help fuel our country. I am a vocal proponent of the effort to see 25% of our country's energy needs come from renewable energy sources by the year 2025. Such an effort will spur unprecedented investment in rural America and make large strides towards addressing the challenges rural areas are facing.

In the short term, we must sustain the incremental progress that is being made in rural America by continuing to provide a safety net to our producers and investing in their efforts to conserve the land, water, and way of life that are so important to our national heritage. It is entirely appropriate that Congress has sought to provide assistance to producers hit by natural disasters such as hurricanes, drought, and blizzards and it is troubling to me that the Department of Agriculture has fought these efforts in the past.

Finally, I want to underscore the importance of USDA's U.S. Forest Service (USFS) lands to Colorado's identity, quality of life, and our economy. These lands are facing tremendous forest health challenges. For example, the drought I referred to earlier has created conditions in which the indigenous bark beetle is able to chew its way through 1.5 million USFS acres. This threatens to wipe out the vast majority of Colorado's mature lodgepole pines in the next few years.

Colorado's local communities, state government, and Congressional delegation have been diligently working to mitigate the effects of this infestation and progress has been made. However, it will take a sustained effort between the federal, state and private lands to make meaningful

progress toward that goal, and we will need USDA and USFS to remain engaged on this important issue in order to be successful.

Governor Shafer, I look forward to hearing your thoughts on these and other matters as you lay out your vision for the Department of Agriculture and the rural communities it exists to serve.

Thank you again, Mr. Chairman.

Opening Statement of the Honorable Edward T. Schafer
Nominee to be Secretary of the United States Department of Agriculture
Senate Committee on Agriculture, Nutrition and Forestry
January 24, 2008
As prepared for delivery

Thank you Mr. Chairman.

I am honored to appear before your committee today. I want to thank Senators Conrad and Dorgan and Representative Pomeroy for your very kind words. It is gratifying that while we have differed politically at times we have been able to work together for the good of our great state, North Dakota. Over the years, I have appreciated your advice, counsel and friendship, and it is an honor to have Team North Dakota introducing me to the committee this afternoon.

And I am extremely thankful my wonderful spouse Nancy is here with me today. Among her many roles in my life, she remains an important connection to farm issues, having been raised on a small grain and livestock farm in north central Montana.
Her example of growing up with no running water, the living room couch her bed and swimming in the stock tank, to becoming the First Lady of North Dakota is inspiring and a great example of the values and character that are instilled by a rural lifestyle.

Our youngest daughter is here with us also. Thanks for being with us today Kari. Our other children, Tom and Ellie and Eric couldn't join us, but are gathered around their televisions.

I would also like to take this opportunity to personally thank the 640,000 citizens of North Dakota as they are the supporters, the shapers and the encouragers in my life. Since this hearing room is a bit too small to invite them all here today, I'll have to settle for thanking them from afar.

Mr. Chairman and esteemed members of the committee; you have all seen my resume' so I won't use the Committee's time to discuss at great length my life's professional experience, which I believe well qualifies me for this position. However, I would like to speak briefly about the question most of you asked me when we met face-to-face prior to this hearing: "Why do you want to be the Secretary of Agriculture?"

Answering that question is a good way to start this hearing. How I arrived here today and the path I took through life will, I believe, explain why I want to lead the United States Department of Agriculture.

The first part of my answer comes from former Senator Dave Durenberger and a saying he was given at his swearing in ceremony here in the Capitol. It reads:

"The sign of God is that we will be led where we do not expect to go." I believe God prepared me for this assignment and led me here and for that I am grateful.

The second part of my answer starts with a ship builder. I bet you didn't expect that in an Ag Committee hearing, but my maternal grandfather arrived on our shores in 1901 from Denmark with 7 cents in his pocket, the clothes on his back and this very ring I wear today. He eventually arrived in western North Dakota, not to build ships, but to homestead a quarter section of land. His shipbuilding skills did come in handy when he needed to put up a barn---it looked quite a bit like an upside down boat.

But he was committed to making a better life for himself and his family. He became a good farmer and with his wife Johanna raised seven children.

He had no idea of the influence he would have on generations to come and unfortunately he didn't live to see me elected as the 30th Governor of North Dakota, or be nominated to be Secretary of Agriculture. I believe he would be proud.

On the other hand, my paternal grandfather died when my father was sixteen. Dad decided then to move off the farm and staked out a life in town. As a traveling salesman he discovered a better way to clean and shine linoleum and started selling Gold Seal Floor Wax door to door. Harold Schafer's customers were people living in the farm houses that dotted the land, and gradually, when business built up, the first store accounts were the small rural hardware stores, lumberyards and grocery stores. His business success was based on the economy generated by agriculture.

From both sides of my family, I am a product steeped in agriculture tradition and economy. In my work as Governor, I developed a passion for the rural community, because I saw the value the people living and working there bring to our Republic. There is no doubt in my mind that the agrarian community produces people with the virtues of courage, hard work, justice, honor, truth and hardiness--- the cornerstones that hold up the United States of America.

By the grace of God I have grown up in this free country, the progeny of a homesteader and a businessman. I have had the privilege of carrying the opportunities of my education, experience and heritage to a long and successful career in both the public and private sectors of our society.

When President Abraham Lincoln founded the USDA in 1862, he called it "The People's Department" because of its ability to improve the lives of so many Americans in so many different ways. I arrive here today with my heart in agriculture and my foundation in business; a combination I hope you will agree is a perfect fit for the rigors of administrating and managing the USDA.

I want to express my appreciation to President Bush for nominating me to lead this important agency. And, if I am so honored to be confirmed by the United States Senate for this job, I pledge to work with each of you and this committee during these exciting times for agriculture.

If confirmed, I look forward to having the opportunity to stand along side what I know already to be the great employees of the USDA to help enhance our country's vibrant agricultural economy, advance renewable energy, and protect America's safe and low cost food supply. I will devote myself to improving nutrition and health, enhancing rural infrastructure, promoting good stewardship of our national forests and conserving our natural resources. And finally, if confirmed, I pledge to work tirelessly to ensure USDA programs are administered efficiently and effectively, and most importantly, with fairness and equality. The American people deserve no less from "The People's Department."

Mr. Chairman and members of the committee, to start this journey, I humbly ask you for your support for confirmation. I look forward to serving the people of the United States of America.

And if, in some small way, I can contribute to the preservation and protection of our foundational strength through agriculture, then in the end, I believe I will have done my job well.

Mr. Chairman, I submit my comments for the record. Thank you again for the opportunity to appear before you today. I look forward to answering your and the Committee's questions.

DOCUMENTS SUBMITTED FOR THE RECORD

JANUARY 24, 2008

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

   Edward Thomas Schafer

2. Date and place of birth.

   August 8, 1946; Bismarck, North Dakota

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

   Married to Nancy (Kegel) Schafer, self employed public speaker; 4426 Carrie Rose Lane, Fargo, ND 58014

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

   University of North Dakota, BSBA, 1969
   University of Denver, MBA, 1970

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

   Prairie Consulting Group, 2007 to 11/2007, Partner. Prairie Consulting Group is a broad based consulting partnership focusing on businesses in North and South Dakota.
   Self Employed Consultant, 2006-2007. Consulted on various business issues in ND.
   Investors Real Estate Trust, 2006 to present. Board of Trustees. Investors Real Estate Trust is a public company investing in commercial office and apartment buildings in the Midwest.
   Forum Communications, 2006-2007. Substitute Talk Show Host.
   Bully! PAC, 2002-Present. President, Political Action Committee.
   Extend America, 2001-2006. Chief Executive Officer. Extend America was a telecommunication (wireless phone and broadband) company focused on rural areas in 5 states in the Midwest. It was sold to Sprint in 2005 with a 90 day transition period moving into 2006. NOTE: Extend America received a low interest loan from the Rural Utilities Service (USDA) to build out broadband services in 87 communities.
   State of North Dakota, 1992-2000, Governor.
   Fish N' Dakota, 1991-1997, President. Fish Farming Operation.

Unemployed, 1987-1992. Had income from various business interests.
TRIESCO, 1986 to present. President, Real Estate Investment Firm.
Gold Seal Company, 1971-1986. Various positions leading up to President. Gold Seal was a household cleaning and personal care products company. It was sold to Reckitt and Colman (UK) in 1986
Gold Seal Company, 1960-1971. Various part time positions during school.

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 (two years Air Force ROTC during college)

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.

Two terms as Governor of North Dakota. 1992-1996, 1996-2000. Elected.

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

None

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

Boy Scouts of America
Theodore Roosevelt Medora Foundation
Theodore Roosevelt Association
National Rifle Association
Sigma Nu Fraternity
North Dakota Republican Party
Professional Association of Diving Instructors
Divers Alert Network
University of North Dakota Alumni Association
We the People of the United States Foundation
North Dakota Wheelchair Foundation
American Automobile Association
North Dakota Street Rod Association

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.

Many letters-to-the-editor covering a wide range of subjects including tax policy, workforce safety, government structure and various public policy issues.

"A Dependent Nation" 1996, Interstate Oil and Gas Compact Commission as Chair

Back Cover articles covering various vehicles for "The Dakota Beacon" a monthly journal of politics, economics, science and culture. 2006-10/2007

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

Excellent

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

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

Yes, except that upon confirmation I will resign from Investors Real Estate Trust, TRIESCO, and Bully! PAC.

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

North Dakota Public Employees Retirement System, Defined Contribution Plan.

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

No

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

No

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

   Yes. Extend America, a corporation for which I was Chief Executive Officer received a low interest loan ($11.2m) to build out broadband services in 87 communities in the Midwest. The company was subsequently sold and the new owners did not fulfill the requirements of the Rural Utilities Service and the loan commitment was withdrawn. No money was ever drawn on the loan.

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

   No

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

   No

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

   No

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

   No

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

    See my Ethics Agreement, dated December 7, 2007, which is attached.

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

    Never received such a loan.

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 will abide by the terms of my Ethics Agreement, dated December 7, 2007, which was submitted with my Public Financial Disclosure Report (SF 278). A copy of that agreement is attached. If any other conflict or potential conflict is brought to my attention, I will immediately consult with the Office of Ethics or the Office of the General Counsel.

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

December 12, 2007

The Honorable Tom Harkin
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 Edward T. Schafer, who has been nominated by President Bush for the position of 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 December 7, 2007, from Mr. Schafer to the Department's ethics official, outlining the steps that Mr. Schafer 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. Schafer is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Robert I. Cusick
Director

Enclosures

December 7, 2007

Mr. Raymond J. Sheehan
Designated Agency Ethics Official
U.S. Department of Agriculture
Washington, DC 20250-0122

Dear Mr. Sheehan:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Secretary, U.S. Department of Agriculture.

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

I understand that the following stock holdings present a potential conflict of interest under section 208(a), although it has been determined that it is not necessary at this time for me to divest these interests: XCEL Energy and Piper Jaffray. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of these entities, unless I first obtain a written waiver or qualify for a regulatory exemption.

Upon confirmation, I will resign from my position as Director with Investors Real Estate Trust. For a period of one year after my resignation, I will not participate personally and substantially in any particular matter involving specific parties in which Investors Real Estate Trust is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. § 2635.502(d).

I recently resigned from my position as substitute Talk Show Host with Forum Communications. For a period of one year, based upon my resignation date, I will not participate personally and substantially in any particular matter involving specific parties in which Forum Communications is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. § 2635.502(d).

Upon confirmation, I will resign from my positions with TRIESCO and Bully! PAC. For a period of one year after my resignation, I will not participate personally and substantially in any particular matter involving specific parties in which either TRIESCO or Bully! PAC is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. part 2635, subpart E.

I recently resigned from my position as a Board Member with the Theodore Roosevelt Medora Foundation and as a Consultant with Prairie Consulting, LLP. For a period of one year, based upon my resignation date, I will not participate personally and substantially in any particular matter involving specific parties in which either Theodore Roosevelt Medora Foundation or Prairie Consulting, LLP is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. part 2635, subpart E.

My spouse is employed as a Director for Noridian Administrative Services and the Community Advisory Board for US Bank. Pursuant to 5 C.F.R. § 2635.502, I will not participate in any particular matter involving specific parties in which either Noridian Administrative Services or US Bank is or represents a party, unless I am authorized to participate pursuant to 5 C.F.R. § 2635.502(d).

Sincerely,

Edward T. Schafer

Edward T. Schafer

UNITED STATES DEPARTMENT OF AGRICULTURE

Office of the Assistant Secretary for Administration

Office of Ethics

1400 Independence Avenue SW

Washington, DC 20250-0122

December 7, 2007

The Honorable Robert I. Cusick
Director
U.S. Office of Government Ethics
1201 New York Avenue, N.W. - Suite 500
Washington, D.C. 20005-3917

Dear Mr. Cusick:

Enclosed is a copy of the SF-278, Public Financial Disclosure Report, submitted by Mr. Edward T. Schafer, the individual that President Bush nominated to serve as Secretary of Agriculture. I have reviewed and signed Mr. Schafer's form as this agency's Designated Agency Ethics Official. Also enclosed is a copy of Mr. Schafer's ethics agreement. Based upon the information contained in Mr. Schafer's Public Financial Disclosure Report, and with the pledges made by Mr. Schafer in his ethics agreement, I can see nothing that would give rise to a conflict of interest or appearance thereof with the position for which he was nominated.

Sincerely,

Raymond J. Sheehan
Director

Enclosures

AN EQUAL OPPORTUNITY EMPLOYER

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

Form Approved:
OMB No. 3209-0001

Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT

	[ ]	[X]	[ ]
Reporting Individual's Name	Schafer	Edward T.	
Position for Which Filing	Secretary	U.S. Department of Agriculture	
Location of Present Office	U.S. Department of Agriculture, Office of Ethics	202-720-2251	
Nominated for Presidential Appointment Requiring Senate Confirmation	Committee on Agriculture, Nutrition and Forestry	[ ]	[X]
Certification	Edward T. Schafer	December 5, 2007	
Other Review			
Reviewed by Designated Agency Ethics Official	R/ Fee	12/7/2007	
Office of Government Ethics Use Only			

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

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

Reason for Late Filing

Reporting Period
Incumbent
Terminated Filers
Nominee, New Entrant and Candidate for President and Vice President
Schedule A
Schedule B
Schedule C, Part I
Schedule C, Part II
Schedule D

Action of OGE

Other Review

Supersedes Prior Editions, Which Cannot Be Used. 278-112 Form Designed in Microsoft Excel 2000 NSN 7540-01-070-8444

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE A

Assets and Income — BLOCK A

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

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

None ☐

Valuation of Assets at close of reporting period — BLOCK B

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

	Assets and Income (Block A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
Examples	Central Airlines Common				*												*						*										
	Doe Jones & Smith, Hometown, State			*																												Last Personal Income $150,000	
	Kempstone Equity Fund				*									*										*									
	DIA: Heartland 500 Index Fund							*						*											*								
1	CMA Money Fund - Merrill Lynch Money Market Account							X											X						X								
2	US Bankcorp (stock)									X							X										X						
3	Burleigh County, North Dakota, Health Care Municipal Bond			X															X				X										
4	King County, Washington, General Obligation Municipal Bond			X															X				X										
5	Washington State Health Care Facilities Authority Municipal Bond				X														X					X									
6	Alma, Michigan, Public School Municipal Bond			X															X					X									

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

Prior Editions Cannot be Used.

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE A continued

(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

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

None ☐

#	Assets and Income	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalty	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	Amount: $201 - $1,000	Amount: $1,001 - $2,500	Amount: $2,501 - $5,000	Amount: $5,001 - $15,000	Amount: $15,001 - $50,000	Amount: $50,001 - $100,000	Amount: $100,001 - $1,000,000	Amount: Over $1,000,000*	Amount: $1,000,001 - $5,000,000	Amount: Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	XCEL Energy (stock)			X													X					X											
2	Piper Jaffray, Co. (stock)				X																X												
3	Southridge, Centre, Inc., Shopping Mall Bismarck, North Dakota					X												X								X							
4	Northwestern Mutual Whole Life Insurance Policy							X											X			X											
5	Eaton Vance Large Cap-Value A Fund (EHSTX)				X									X								X											
6	First American Large Cap Select Fund (FLRYX)				X									X								X											
7	First American International Fund (FAICX)			X								X		X								X											
8	First American Small-Mid Cap Core Fund (FATCX)			X										X							X												
9	First American Mid Cap Value Fund (FSEIX)			X										X								X											

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

Prior Editions Cannot be Used.

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE A continued

(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

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

#	Assets and Income (Block A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	First American Mid Cap Growth Opportunity Fund (FISEX)			X										X							X												
2	T. Rowe Price Growth Stock Advantage Fund (TRSAX)					X								X								X											
3	Laudus International MarketMasters Inv Fund (SWOIX)				X									X								X											
4																																	
5	First American Equity Income Fund (FAQIX)				X									X									X										
6																																	
7	First American Interm Tax Free Fund (FMBIX) (bond fund)			X										X									X										
8	First American Tax Free Fund (FYNTX) (bond fund)					X								X											X								
9																																	

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

Prior Editions Cannot be Used.

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE A continued

(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

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

#	Assets and Income (Block A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	US Bank Checking			X														X				X											
2 S	Nordian Administrative Services, Fargo, North Dakota																															Director Fees	
3 S	US Bank, Fargo, North Dakota																															Director Fees	
4	US Bank Money Market				X													X							X								
5	Merrill Lynch Bank USA RASP (cash account)		X															X			X												
6	Microsoft			X													X					X											
7	American Funds Inc, Fund of America (AMECX)			X										X						X		X											
8	BlackRock Small Cap Growth II Fund (MCSWX)			X										X			X						X		X								
9	BlackRock Large Cap Value Fund (MCLVX)				X									X			X					X			X								

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

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE A continued

(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

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

None ☐

#	Assets and Income (Block A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000*	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	Amount: $201 - $1,000	Amount: $1,001 - $2,500	Amount: $2,501 - $5,000	Amount: $5,001 - $15,000	Amount: $15,001 - $50,000	Amount: $50,001 - $100,000	Amount: $100,001 - $1,000,000	Amount: Over $1,000,000*	Amount: $1,000,001 - $5,000,000	Amount: Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	BlackRock Balanced Capital Fund (MDCPX)		X											X			X			X		X											
2	Lord Abbett Mid-Cap Value Fund (LMCCX)			X										X			X			X	X		X										
3	BlackRock Government Inc Inv Fund (BGIEX)			X										X									X										
4	Dreyfus Premier GNMA C (GPNCX)	X												X								X											
5																																	
6	PIMCO Long-Term US Government Fund (PFGCX)			X										X			X			X		X											
7																																	
8	Investors Real Estate Trust, Minot, North Dakota																															Director Fees $35,064	
9	Gate City Bank, Checking		X															X				X											

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

Prior Editions Cannot be Used.

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE A continued
(Use only if needed)

Assets and Income — BLOCK A

Valuation of Assets at close of reporting period — BLOCK B

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

None ☐

#	Assets and Income (Block A)	None (or less than $1,001)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000 *	Over $1,000,000 *	$1,000,001 - $5,000,000	$5,000,001 - $25,000,000	$25,000,001 - $50,000,000	Over $50,000,000	Excepted Investment Fund	Excepted Trust	Qualified Trust	Type: Dividends	Type: Rent and Royalties	Type: Interest	Type: Capital Gains	Amount: None (or less than $201)	Amount: $201 - $1,000	Amount: $1,001 - $2,500	Amount: $2,501 - $5,000	Amount: $5,001 - $15,000	Amount: $15,001 - $50,000	Amount: $50,001 - $100,000	Amount: $100,001 - $1,000,000	Amount: Over $1,000,000*	Amount: $1,000,001 - $5,000,000	Amount: Over $5,000,000	Other Income (Specify Type & Actual Amount)	Date (Mo., Day, Yr.) Only if Honoraria
1	1st International Bank and Trust Checking		X															X				X											
2	North Dakota Public Employees Retirement System, Fidelity Diversified Fund				X									X											X								
3	Extend America, Bismarck, North Dakota																															Salary $131,098	
4	Forum Communications, Fargo, North Dakota																															Salary $1,575	
5	Craig Hagen (loan to personal friend)		X																		X												
6	Extend America, Bismarck, North Dakota																															Consulting Fees $55,667	
7																																	
8																																	
9																																	

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

Prior Editions Cannot be Used.

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

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE B

Part I: Transactions

None ☐

Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

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

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

Part II: Gifts, Reimbursements, and Travel Expenses

For you, your spouse and dependent children, report the source, a brief description, and the value of: (1) gifts (such as tangible items, transportation, lodging, food, or entertainment) received from one source totaling more than $260; and (2) travel-related cash reimbursements received from one source totaling more than $260. For conflicts analysis, it is helpful to indicate a basis for receipt, such as personal friend, agency approval under 5 U.S.C. §4111 or other statutory authority, etc. For travel-related gifts and reimbursements, include travel itinerary, dates, and the nature of expenses provided. Exclude anything given to you by the U.S. Government, given to your agency in connection with official travel, received from relatives, received by your spouse or dependent child totally independent of their relationship to you, or provided as personal hospitality at the donor's residence. Also, for purposes of aggregating gifts to determine the total value from one source, exclude items worth $114 or less. See instructions for other exclusions.

None ☐

	Source (Name and Address)	Brief Description	Value
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals (incident to national conference 6/15/99 (personal activity unrelated to duty)	$500
	Frank Jones, San Francisco, CA	Leather briefcase (personal friend)	$200
1			
2			
3			
4			
5			

Prior Editions Cannot Be Used.

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE C

Part I: Liabilities

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

None [X]

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

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

Part II: Agreements or Arrangements

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

None [ ]

	Status and Terms of any Agreement or Arrangement	Parties	Date
Example:	Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/00.	Doe Jones & Smith, Hometown, State	3/93
1	North Dakota Public Employees Retirement System, Defined Contribution Plan	State of North Dakota	12/92
2			
3			
4			
5			
6			

Prior Editions Cannot Be Used.

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE D

Part I: Positions Held Outside U.S. Government

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

None ☐

	Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Natl Assn. of Rack Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	3/85	1/00
1	Extend America, Bismarck, North Dakota	Telecommunications	CEO	10/2001	1/2006
2	Forum Communications	Communications	Substitute Talk Show Host	1/2006	9/2007
3	Investors Real Estate Trust, Fargo, North Dakota	REIT	Director	12/2006	Present
4	Extend America, Bismarck, North Dakota	Telecommunications	Consultant	1/2006	4/2006
5	Prairie Consulting LLP	Consulting Firm	Partner	7/2007	11/2007
6	TRIESCO	Real Estate Holding Co.	President	11/1986	Present

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

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

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

None ☐

	Source (Name and Address)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Moneytown, State	Legal services in connection with university construction
1	Extend America, Bismarck, North Dakota	CEO
2	Investors Real Estate Trust, Minot, North Dakota	Director
3	Extend America, Bismarck, North Dakota	Consultant
4		
5		
6		

Prior Editions Cannot Be Used.

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

Reporting Individual's Name: Schafer, Edward T.

SCHEDULE D

Part I: Positions Held Outside U.S. Government

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

None ☐

	Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/92	Present
	Doe Jones & Smith, Hometown, State	Law firm	Partner	7/85	1/00
1	Theodore Roosevelt Medora Foundation	Non-profit	Member, Board of Directors	2/2001	11/2007
2					
3					
4					
5					
6					

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

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

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

None ☐

	Source (Name and Address)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, State	Legal services
	Metro University (client of Doe Jones & Smith), Maketown, State	Legal services in connection with university construction
1		
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Prior Editions Cannot Be Used.

December 7, 2007

Mr. Raymond J. Sheehan
Designated Agency Ethics Official
U.S. Department of Agriculture
Washington, DC 20250-0122

Dear Mr. Sheehan:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Secretary, U.S. Department of Agriculture.

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

I understand that the following stock holdings present a potential conflict of interest under 18 U.S.C. § 208(a): although it has been determined that it is not necessary at this time for me to divest of these interests, XCEL Energy and Pfizer Inc. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of these entities, unless I first obtain a written waiver or qualify for a regulatory exemption.

Upon confirmation, I will resign from my position as Director with Investors Real Estate Trust. For a period of one year after my resignation, I will not participate personally and substantially in any particular matter involving specific parties in which Investors Real Estate Trust is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

I recently resigned from my position as substitute Talk Show Host with Forum Communications. For a period of one year, based upon my resignation date, I will not participate personally and substantially in any particular matter involving specific parties in which Forum Communications is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. § 2635.502(d).

Upon confirmation, I will resign from my positions with TRIESCO and Bully! PAC. For a period of one year after my resignation, I will not participate personally and substantially in any particular matter involving specific parties in which either TRIESCO or Bully! PAC is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. part 2635, subpart E.

I recently resigned from my position as a Board Member with the Theodore Roosevelt Medora Foundation and as a Consultant with Prairie Consulting, LLP. For a period of one year, based upon my resignation date, I will not participate personally and substantially in any particular matter involving specific parties in which either Theodore Roosevelt Medora Foundation or Prairie Consulting, LLP is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. part 2635, subpart E.

My spouse is employed as a Director for Noridian Administrative Services and the Community Advisory Board for US Bank. Pursuant to 5 C.F.R. § 2635.502, I will not participate in any particular matter involving specific parties in which either Noridian Administrative Services or US Bank is or represents a party, unless I am authorized to participate pursuant to 5 C.F.R. § 2635.502(d).

Sincerely,

Edward T. Schafer

December 28, 2007

Honorable Tom Harkin

Chairman

Committee on Agriculture, Nutrition, and Forestry

United States Senate

Washington, D.C. 20250-6000

Dear Mr. Chairman:

Pursuant to an agreement with Senate Agriculture Committee staff on December 20, 2007, I have agreed to provide a letter to amend my Public Financial Disclosure Report (SF 278) and portions of the Senate Questionnaire. Amendments and corrections are as follows:

SF 278

Schedule A, Page 4, Line 4 is amended by inserting the following:

Block A:	Dakota Classics (Antique Automobiles)
Block B:	"$100,001-$250,000"
Block C [Amount]:	"None (or less than $200)"

NOTE: Schedule D, Part II requires no amendments or corrections. All sources of reportable income under that schedule, for the reporting period of 1/1/2005 through present, are currently listed.

Amendments and Corrections to Senate Questionnaire, page 2

Senate Questionnaire

Biographical Information:

Page 2, Question 5, Line 4: Under "Extend America," I wish to insert the word "commitment" after the word "loan."

Financial Data and Conflict of Interest:

Page 5, Question 5, Line 2: I wish to insert the word "commitment" after the word "loan."

Sincerely,

Edward T. Schafer

Edward T. Schafer

Associated Milk Producers Inc.
315 N. Broadway, P.O. Box 455, New Ulm, MN 56073
Phone: (507) 354-8295 Fax: (507) 359-8651

January 22, 2008

The Honorable Tom Harkin
United States Senate
Washington, DC 20510

From: Mark Furth

Re: Schafer Nomination

Dear Senator Harkin:

On behalf of the board of directors of Associated Milk Producers Inc. (AMPI), I want to support the nomination of former North Dakota Governor Ed Schafer to be the next U.S. Secretary of Agriculture.

He is uniquely qualified to be the top USDA official. As a former governor of a state with an agriculturally based economy, his insight will be valuable on Capitol Hill.

Agriculture and its people are at the heart of an ever-growing need for food, fiber and fuel. We need a respected leader to help guide the agriculture policy-making and implementation process.

As the confirmation hearing begins this week, don't hesitate to contact me if I can be of any assistance.

Mark Furth

Mark Furth
CEO/President
Associated Milk Producers Inc.

NAM National Association of Manufacturers

John Engler
President and CEO

January 22, 2008

The Honorable Tom Harkin
Chairman
Senate Committee on Agriculture,
Nutrition and Forestry
Washington, DC 20510

The Honorable Saxby Chambliss
Ranking Member
Senate Committee on Agriculture,
Nutrition and Forestry
Washington, DC 20510

Dear Chairman Harkin and Senator Chambliss:

As president of the National Association of Manufacturers (NAM) and as a longtime personal acquaintance of Governor Ed Schafer, I strongly encourage your favorable consideration of his nomination to be the next Secretary of Agriculture. I am confident that Governor Schafer will serve farmers, agribusiness, consumers and taxpayers alike with skill, integrity and enthusiasm.

Agriculture and manufacturing are more closely intertwined today than anytime in the past, and Governor Schafer is well-prepared to lead. He has been a manufacturer – as president of the Gold Seal Company, a major household products company – and his experience ranges from the world of finance and marketing in New York City to the daily operations in Bismarck, North Dakota NAM members heartily welcome a nominee who brings this kind of business background to the President's Cabinet.

Governor Schafer's tenure as a successful, two-term governor of one of America's most rural states is also outstanding, relevant experience for leading the U.S. Department of Agriculture. Not only has the Governor led a state's executive branch of government, he has a unique understanding of federal policies and their impact on the states and citizens. During his governorship, Governor Schafer also proved to be an effective advocate of expanding exports and diversifying North Dakota's energy economy. The next Secretary of Agriculture is clearly prepared to continue his predecessors' strong commitment to trade and energy, two of the manufacturing's sector's priorities.

On both a personal and professional note, I had the pleasure of getting to know Governor Schafer during my years as Governor of Michigan; we worked closely together on issues of critical importance to our states. He is a dedicated public servant, an effective advocate for what he believes and a good friend. He will be a great Secretary of Agriculture.

Sincerely,

John Engler

JE/lnp
cc: Members of the Committee on Agriculture, Nutrition and Forestry

State of
North Dakota
Office of the Governor

John Hoeven
Governor

January 22, 2008

The Honorable Tom Harkin
Chairman
United States Senate Agriculture Committee
731 Hart Senate Office Building
Washington, DC 20510-1502

The Honorable Saxby Chambliss
Ranking Member
United States Senate Agriculture Committee
416 Russell Senate Office Building
Washington, DC 20510-1005

Dear Chairman Harkin and Senator Chambliss:

I am writing to recommend and endorse Edward T. Schafer as a particularly worthy nominee to be the next United States Secretary of Agriculture.

I have been privileged to know Governor Schafer for more than 15 years. He recognizes the tremendous importance of agriculture in our nation's history, its present economy and its exciting future. I know farmers and ranchers across North Dakota appreciated Schafer's service on farm policy, trade, research and transportation during his term in office. North Dakotans continue to recognize him as a strong advocate of the agriculture industry and we are excited about his nomination to this important role.

Governor Schafer's consideration for Secretary is particularly fitting as the Congress moves toward completion of the next farm bill. His administrative experience as governor will be an important asset as he leads the United States Department of Agriculture in implementing the new farm bill. I urge you to consider his knowledge, talents and management skills in your consideration of him as the next Secretary of Agriculture.

I support for the confirmation as the next United States Secretary of Agriculture, Edward T. Schafer; and I urge the Agriculture Committee and the Senate concurring therein, to approve his nominatson.

Sincerely,

John Hoeven

John Hoeven
Governor

C: Senator Kent Conrad
Senator Byron Dorgan
Ed Schafer

38:47:56

600 E Boulevard Ave.
Bismarck, ND 58505-0001
Phone: 701.328.2200
Fax: 701.328.2205
www.nd.gov

01/23/2008 4:02PM (GMT-05:00)

QUESTIONS AND ANSWERS

JANUARY 24, 2008

SENATOR HARKIN

Organic Pasture

Currently, USDA's National Organic Program regulations require access to pasture for all ruminant animals [§205.237, §205.239]. However, in recent years, it has become clear that some organic dairies have been permitted to sell milk as "organic" even though their cows have not had access to pasture, leading many to believe the program regulations should be clarified to ensure integrity of the organic standards.

To address this growing concern, USDA in 2006 issued an Advanced Notice of Proposed Rulemaking to solicit input from the public about the pasture issue. After receiving input from certifiers, farmers, consumers and industry regarding the pasture standards, USDA indicated its intention to issue a proposed rule in 2006 to update the rule. Unfortunately, after two years, a proposed rule has not been published.

QUESTION

As Secretary, will you work to expeditiously publish the rules regarding access to pasture for organic ruminants?

Questions for Governor Schafer from Senator Baucus
January 24, 2008

1. The Administration has said they oppose the AGI limit in the Senate and House Farm Bill's as well as the tax provisions included in both Bills. What specific concessions will you recommend the Administration make to help Congress get the Farm Bill across the finish line and get it signed by the President?

2. Will you come out to Montana in the next six months to visit with farmers and ranchers?

3. If you could write a disaster program would you base payments on whole-farm losses or losses to individual farm units?

4. Should farmers be required to purchase crop insurance to qualify for disaster assistance?

5. In the most recent disaster bill farmers only receive payments for one out of every three years. Unfortunately, this rewards farmers who only suffered a loss one year, but provides little assistance for those who suffer multi-year disasters. Do you support a program that would provide disaster assistance annually?

Statement
Senator Sherrod Brown

United States Senate
Committee on Agriculture, Nutrition and Forestry
Confirmation Hearing for Edward T. Schafer Nominee to be Secretary of the United States Department of Agriculture
January, 24 2008

Thank you Mr. Chairman.

Congratulations to you Governor Shafer on your nomination as Secretary of Agriculture. I would also like to thank Acting Secretary Chuck Connor for his service and for his leadership. I look forward to working with you on many of the important issues facing farmers and low-income Americans. Your activities as Secretary will touch the lives of many Ohioans and I cannot overstate the importance of what you do. As you know, agriculture and farming are critical to the economy of the state of Ohio—not only corn and soybeans but also our specialty crop, dairy, and livestock industries which provide good jobs even in these difficult economic times.

Prior to our consideration of the farm bill last year, I held a weeklong series of agricultural roundtables throughout the state of Ohio. These roundtables enabled me to meet face-to-face with the farmers who will be affected by the farm policy and the actions of the Department of Agriculture. By listening to the personal stories of family farmers, I gained a greater understanding of the challenges and opportunities we face as an agricultural state—and what Ohio agriculture needs to remain strong.

The roundtables renewed my appreciation for the innovation and diversity of Ohio farmers. Today's farmers are participating in a global market with countless competitors, and not only are they expected to feed the world, but also to satisfy its growing demand for energy. I met with a corn and soybean farmer in Henry County who will be supplying corn to the first ethanol plant in Ohio, and a Montgomery County hog farmer who invested in wind turbines to provide on-farm energy.

I discussed labor issues with nursery and greenhouse owners in Lake County; I met with fruit and vegetable growers in Ross County who spoke about the opportunities to provide fresh fruits and vegetables to children and senior citizens; and I spoke with dairy farmers in Wayne County about the importance of livestock to our rural communities. Agriculture in Ohio has experienced unprecedented change, but the values of Ohio's farmers – hard work and stewardship of the land – have remained steadfast. If confirmed, I look forward to working with you and the Department of Agriculture to maintain and grow Ohio's agricultural prosperity.

Obviously, USDA also plays a critical role in administrating our nation's Food and Nutrition Programs. I have been very concerned about shortages in at food banks across Ohio. In Hocking County, 7 percent of the entire county population went to a church pantry on a single day in December to receive food. This crisis deserves immediate attention and I look forward to working with you and the USDA on this important issue and many others important to Ohio.

Questions

Farmers in Ohio and across the country are facing tremendous opportunities and challenges resulting from the transformative effect of biofuels on the agricultural economy. Currently, crop prices are high but volatile. And I've heard from many farmers that input costs are rising as well as their overall risk. Current farm programs protect against chronic low prices. However, these programs do little to help farmers when prices are high but yields are low—resulting in a revenue shortfall. The Senate passed the Average Crop Revenue program to address these concerns. In your opinion, what role can revenue protection programs, similar to the Average Crop Revenue program, play in helping farmers manage the risk inherent in farming?

Food banks in Ohio and every other state are trying to deal with empty commodity shelves and increased need from working Americans as the economy slows down. The pending House and Senate Farm Bills would help alleviate this need by providing increases in the amount of TEFAP funding each year from $140 million to $250 million. Delays in reaching agreement on the Farm Bill have meant continued shortfalls at food banks and other food rescue organizations. In an effort to provide short term emergency funding, I have introduced S. 2431, which would provide $40 million in anticipated TEFAP funding increases so that USDA can purchase and distribute these commodities prior to passage of the Farm Bill. I would appreciate any support from USDA on this measure. Are there opportunities for USDA to provide short term emergency food assistance prior to passage of the Farm Bill?

Questions for Governor Schafer from Senator Bob Casey
January 24, 2008

1. As a former Governor of a major agricultural state and a CEO of Extend America, which worked on broadband access for rural communities, what is your opinion of the veto threat against the Farm Bill? If the veto were to be used, how do you propose that we keep critically important programs like Food Stamps and counter-cyclical payments operating?

2. In light of the numerous outbreaks of foodborne illness in the past few years, as well as the number of recent large recalls of food products, such as ground beef, the issue of ensuring the safety of our food supply has taken on a greater urgency. There are currently a number of proposals in Congress to improve the safety of food, including one to create a single Food Safety Administration. What is your opinion of the need to create a single, cohesive agency dedicated to food safety?

3. Senator Grassley and I recently introduced the EAT SAFE Act (S.2418), which addresses the problems of smuggled food and agriculture products which pose serious risks to our plants, animals, and food. Among the various sections of this bill is a provision authorizing $10 million for the USDA's Food Safety and Inspection Service to increase the number of full-time field investigators, import surveillance officers, and other related staff by 100 employees in order to provide additional detection of food defense threats and detect, track, and remove smuggled human food products from commerce. What is your opinion on the need for additional personnel to carry out such responsibilities?

4. Other proposals currently in Congress to deal with the issue of food safety, including one Senator Brown and I introduced (S.2081), propose giving both the FDA and USDA mandatory recall authority for food products. Recently, the Administration's Import Safety Action Plan recommend that FDA be authorized to pursue the mandatory recall of food products. Do you feel that USDA should also be given mandatory recall authority? And, why or why not?

5. As we discussed during our meeting in November, dairy farmers have been hit hard by rising feed and fuel prices. I have spent the past year working on a number of initiatives to help provide some relief, some of which were included in the Senate-passed Farm Bill. Unlike crops like wheat and corn, dairy prices are set by the federal government so we have an obligation to make sure that we are not preventing dairy farmers from getting a fair price for milk. Do you have any suggestions on ways to improve the federal dairy pricing system (i.e. the Federal Marketing Order system) to help milk prices keep pace with the actual cost of producing that milk in a more timely manner?

6. Another factor in the hard times that dairy farmers have experienced was the milk power price reporting error that was discovered last summer. Dairy farmers in the Northeast, including Pennsylvania, lost tens of millions of dollars as a result of

this price reporting error. Part of the problem was firms using the wrong data when disclosing their prices, but the other problem was a lack of oversight and proper auditing by USDA. What will you do to prevent this from happening again? What will you do to help farmers recoup their loses due to the error?

7. Senator Specter and I have been working on clarification of a provision in the Agriculture Marketing Act of 1937 that seems to give the Secretary of Agriculture the authority to change milk prices based on cost-of-production. Section 608(c)18 reads,
"The Secretary Of Agriculture, prior to prescribing any term in any marketing agreement or order, or amendment thereto, relating to milk or its products, if such term is to fix minimum prices to be paid to producers or associations of producers, or prior to modifying the price fixed in any such term, shall ascertain the parity prices of such commodities"... if the Secretary "finds that the parity prices of such commodities are not reasonable in view of the price of feeds, the available supply of feeds, and other economic conditions which affect market supply and demand. . .he shall fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk:: and be in the public interest."
With the projected decrease in milk prices paid to farmers in the next year and increased input costs of fuel, feed, and fertilizer, does USDA plan on utilizing authority under Section 608(c)18 of the Agricultural Marketing Assistance Act of 1937 to adjust for the change of price of feeds and other economic conditions that dairy farmers across the United States are facing?

8. What is your position on food labeling, specifically labeling of dairy products and labeling for no antibiotics/pesticides/growth hormone? What can USDA be doing to provide more oversight over mislabeled or falsely labeled food products?

9. Senator Brown and I included an important amendment in the Dairy Subtitle of the Senate-passed Farm Bill that requires mandatory daily price reporting for dairy products. Our amendment helps solve the serious problem of outdated dairy pricing. The current system is extremely complex and there is not enough transparency for dairy farmers. Mandatory daily reporting, similar to what is used in livestock markets, would give farmers real-time reporting and data publication on a daily basis. Our amendment is also supported both by dairy farmers and dairy processors. What is your position on the program proposed in our amendment?

10. The Commodity Supplemental Food Program (CSFP) provides monthly nutritious food boxes to low-income seniors, women, infants and children in 32 states, 2 Indian Tribal organizations and the District of Columbia. 91% of the more than 500,000 recipients of this program are low-income seniors, many of whom are not eligible for food stamps or other types of Federal nutrition assistance. Yet, last year the President once again proposed elimination of this program, arguing that it duplicated other Federal nutrition assistance programs. What are your thoughts on

the value of and need for this program? Would you be in favor of expanding senior-eligibility and/or expanding the caseload numbers for this program?

11. What is your position on mandatory animal identification? Do you believe USDA will be able to successfully implement a national animal ID program on a voluntary basis?

12. What is your position on Country of Origin Labeling and do you feel it should be mandatory for all agriculture and food segments?

Questions
Senator Mike Crapo
Senate Agriculture Committee
January 24, 2008

Governor Edward T. Schafer

1. A major portion of U.S. Department of Agriculture (USDA) Rural Development assistance is composed of funds for rural housing under the USDA Rural Housing Service. In Idaho, approximately 50 percent of USDA Rural Development loans are housing loans. It takes competent and well-trained staff to assist rural communities in the process of understanding and navigating the matrix of federal rural housing assistance. Idaho's USDA Rural Development staff has performed well, providing support and assistance despite an 8.7 percent cut to its salaries and expenses budget in January 2007, which resulted in the elimination of approximately 6.5 employees and the closure of two USDA Rural Development offices. Although Congress has not cut the Rural Development salaries and expenses budget, there has been word of another possible three to 3.5 percent cut to the salaries and expenses budget for 2008. These cuts come at a time when Rural Development operations in Rocky Mountain States are already understaffed. These salary cuts are predicted to place the greatest burden on the housing loan staff. To date, no explanation has been given as to the reason for the cuts.

   Why is the salaries and expenses budget being cut even though Congress has not cut that budget?

   As the Secretary of Agriculture, how supportive would you be of the USDA Rural Housing Service and how committed would you be to ensuring that states like Idaho have the funds necessary to provide for staff to service rural housing needs?

Prepared Statement of Senator Chuck Grassley
Nomination of Edward Schafer to be
Secretary of Agriculture

Mr. Chairman, I just want to say a few words on this nomination. Governor Schafer has the experience necessary to run this challenging and extensive department because of his time as Governor of North Dakota. While his tenure may be short at USDA and with the wrap up of the farm bill, I still believe that he will make a significant impact on agricultural policy. He's an honest and dedicated man. He appears to make independent decisions, which is essential when at the helm of an agency as large as USDA.

Even though the farm bill debate and process will be wrapping up soon, USDA will have a critical role yet to play in implementing the bill and writing the regulations to enforce it The new Secretary of Agriculture will have to lead that charge.

I am hopeful that we'll have a strong livestock and competition tile in the final version of the farm bill, but not-withstanding that, USDA still has challenges in managing the Packers and Stockyards Program. Recent OIG and GAO reports have highlighted the mismanagement of the program and the lack of competition investigations. I would fully expect a commitment from the new Secretary to take seriously those laws already on the books and to enforce them. I also challenge the new Secretary to engage in conversation with the Department of Justice to strengthen enforcement in the increasingly vertically integrated livestock industry.

In addition, I will continue to push and work for stricter payment limits in the farm bill conference. We have to reform the actively engaged rules. Both the USDA payment limits commission and the GAO report said it needed to be done. I hope you will support this idea and if we pass reform on this issue in the farm bill I hope you will agree to make sure it is rigorously enforced. I've asked the Department themselves on more than one occasion to tighten up actively engaged in farming rules and they haven't done it.

In conclusion, I believe Governor Schafer is an excellent nominee – It appears he will be a good steward of the US Department of Agriculture during a most challenging time.

Governor Schafer Nomination Questions for the Record

1) The Mandatory Price Reporting law was passed in 2006. However, it's now January 2008 and UDSA still doesn't have the rulemaking completed. What has been the holdup and how soon will it be finished? What percentage of each species has been reported voluntarily, that would normally be required to report if the law was mandatory?

2) With the rising prices of corn and soybeans, I know that USDA is feeling pressure to release CRP acres. Regardless of whether this happens or not, the nature of the markets tends to indicate that prices will fall. What will USDA do to make sure that CRP acres are targeted to the most highly erodible and sensitive lands?

3) The Government Accountability Office (GA0) sent a letter to Acting Secretary Chuck Connor on January 18th, requesting documents and data from the Assistant Secretary of Civil Rights for their review of the office's performance. From what GAO tells me, they have made these requests over the last series of months and have not at this point received all necessary documentation to conduct a full review. With the USDA's history of discrimination against both farmer's and employees, can you assure me that all requested documents will be provided in a timely manner? And if so, by when can GAO expect them?

4) Over the past decade I've put considerable effort into opening the Mexican market to U.S. exports of high fructose corn syrup. With the full implementation of NAFTA on January 1, 2008, Mexico is now finally providing unfettered duty-free access to our exports of high fructose corn syrup. I'm concerned; however, that a proposed agreement to manage U.S.-Mexican sugar trade could threaten U.S. exports of high fructose corn syrup to Mexico. That would harm U.S. corn farmers and downstream producers in the United States. Are you aware of this proposed agreement? If confirmed as Secretary of Agriculture, would you oppose this proposed agreement? Are there any circumstances in which you would support a proposal for managed trade in sugar between the United States and Mexico?

5) How do you anticipate handling the large amount of rulemaking that will be necessary after passage of the farm bill and in particular, making sure that dead farmers and those who aren't really engaged in farming aren't receiving program payments?

6) What will be the first thing you will do to ensure that the Packer's and Stockyards Program enforces the law that is currently in place, and takes seriously any new laws that we pass in the Farm Bill? Also, do you believe that the Packers and Stockyards Program has adequate resources and if not, what do you need to make sure that effective competition investigations are being done?

7) How many open competition investigations does Packers and Stockyards currently have? What timetable do you have for each of these respective investigations to be completed?

Written Questions of Senator Leahy to Edward Schafer
Nominee for Secretary of Agriculture
January 24, 2008

1. **Nutrition Programs**
Food banks in my state and across the country depend upon commodities distributed by the Department of Agriculture through The Emergency Food Assistance Program (TEFAP). Historically, this has come both through TEFAP funding and through bonus commodities that USDA purchases as the market warrants. Since passage of the 2002 farm bill, bonus commodities have declined significantly and left food banks with dangerous shortfalls of food. The Farm Bill passed in December by the Senate would provide $250 million a year for TEFAP.

As I'm sure you are aware there is a great deal of discussion on the need for an economic stimulus package. I believe we cannot afford to ignore the warning signs that our economy is in trouble any longer. Congress and the Administration must act to provide a prompt, sensible and effective plan that will complement the emergency rate cuts announced Tuesday by the Federal Reserve.

We must focus on sound steps that will give us the biggest bang for the buck and will flow into the economy rapidly, so that we stimulate the economy where and when it is most needed. One of the proven ways to stimulate the economy for those in need is through the Food Stamp program which you will oversee if confirmed. Today I sent a letter today supporting an across the board twenty percent increase of benefits for a six month period.

1.1. **Question**: Do you agree that Food Stamp benefits have a positive measurable impact on the US economy?

1.2. **Question**: Do you feel this Senate level of funding for The Emergency Food Assistance Program is enough to address the continued shortfalls in bonus commodities?

1.3. **Question**: Once the Farm Bill is signed by President Bush and funds are allocated, how can USDA help expedite the purchase, allocation, and transportation of commodities to people who depend on The Emergency Food Assistance Program?

1.4. **Question**: Are there innovative ways you can help tide food banks over until the Farm Bill is enacted?

2. **Dairy Programs**
As you know dairy production is extremely important to the State of Vermont. I am sure you are aware of the rising cost of inputs for dairy farmer across the nation, but especially in Vermont. Despite milk prices being at all time high; we are expecting significant declines in farm income during 2008 due to the excessive increase in fuel and feed prices. The Senate Farm Bill take a strong step forward in restoring a safety net for dairy producers with the expansion of the MILC program. Nevertheless, I think we must look at all tolls available.

2.1. **Question**: Would you consider using any tool available to the department to alleviate any significant distress within the dairy producer community such as Federal Milk Marketing Order updates or the Dairy Export Incentive program?

3. **Disaster Programs**
I am deeply concerned by the agencies' poor interpretation of disaster regulations, specifically the implementation of the Livestock Compensation Program (LCP). Unfortunately, USDA has interpreted the program regulations in a way that restricts losses and any extra feed costs incurred to the actual calendar year of the disaster. This is a huge problem in Vermont because many Vermont dairy producers first used their inventory reserves and did not purchase supplemental feed until 2007, and will not qualify for this program. With our feeding season in the Northeast extending through spring, until feed is available from the next crop year, the majority of producers did not make their purchases until after December 31, 2007. The producers I am speaking about all had eligible losses of feed in the same calendar year as the disaster, but will be penalized simply due to the timing of their feed purchases to replace what had been lost due in the natural disasters.

3.1. **Question**: Governor Schafer are you aware of this situation in Vermont and possibly elsewhere? I hope that as your nomination moves out of this committee and on to the Senate floor that we can come to a resolution on this issue so that the needy and eligible producers both in Vermont and across the country who suffered losses can receive the federal assistance that they so greatly deserve.

4. **Forest Service**
Fire is increasingly a dominant and destructive natural resource problem for the Forest Service. Seven of the worst ten fire seasons since the 1950's have occurred in just the last 11 years. Communities and livelihoods are put at greater and greater risk from these uncharacteristic fires that bring with them sky-rocketing suppression costs. In 2006, more than 9.87 million acres of public and private land was burned by wildland fire. The Forest Service was forced to spend more than $1.5 billion for wildland fire suppression in just 2006. These expensive fires means agencies cannot fund their other important programs. In fiscal year 2008, the Forest Service will spend 45% of its budget on wildfire suppression and other fire-related activities, compared to just 13% in 1991.

Yet, the Forest Service has not committed the necessary fund to get ahead of this growing problem. By USDA's own calculations, the hazardous fuels in our forests are accumulating at three times the rate than they are currently being treated. Better Forest Service management and immediate action are needed to improve the deteriorating health of the National Forests and to reduce the cost of fighting fires.

4.1. **Question**: How you will work with Congress to assure that funding for essential Forest Service programs is not diverted to fire, and how you will keep the Forest Service from becoming the Fire Service?

4.2. **Question**: How will you work with Congress to provide funding for Hazardous Fuel Reduction which is currently the only budget line item for active land management to reduce fire risks on overgrown forest lands?

5. **Animal Plant Health Inspection Service**
In recent years, several damaging forest pests have been introduced to America, including the Asian longhorned beetle and emerald ash borer, putting forests across this country at serious risk. The Animal and Plant Health Inspection Service (APHIS) has the principle responsibility defending America's animal and plant resources from invasive pests and

diseases. However, according to the Government Accountability Office, programs to eradicate or contain these damaging pests have failed due to inadequate funding in recent years. Congress has repeatedly asked the Secretary of Agriculture to utilize emergency funds from the Commodity Credit Corporation to sustain effective eradication programs. Despite this direction from Congress, such funds have proved difficult to attain for these emergencies. As a result, these pest programs have been reduced severely and eradication efforts have suffered.

I am particularly concerned about the Asian longhorned beetle (ALB) – now located in New York City and neighboring New Jersey and threatening more than 48 million acres of forest from Maine to Minnesota. At risk are wildlife habitat, water and timber supplies, the maple syrup industry, and fall foliage tourism. There is widespread agreement among scientists that this pest can be eradicated – but only with sufficient effort. Funding shortfalls have stretched the projected eradication date out from 2009 to 2032 or later. This delay almost guarantees that the ALB will spread to new areas – including to Vermont and our maple syrup industry.

5.1. **Question**: What will you do as Secretary to ensure that adequate funds are provided to these programs?

5.2. **Question**: What will you do as Secretary to ensure that adequate funds are provided to ensure the earliest possible eradication of the Asian longhorned beetle?

Senator Ben Nelson
Questions for the Record
Nomination of Ed Shafer to Secretary of Agriculture
January 24, 2008

Questions:

(1) Have you begun formulating any plans to make progress towards more fair and equitable trade in U.S. beef, particularly with nations such as Japan and South Korea? If so, can you provide some of your thoughts on how to get them to comply with the OIE guidelines and to cease unfairly blocking U.S. beef imports?

(2) Similarly, how do you intend to clean up some of the internal problems at USDA with regard to proper oversight of the shipments to Korea and Japan in order to make sure they comply with current export agreements? How do you view USDA's role in this matter?

(3) Are you willing to revisit the Administration's position on disaster assistance – especially the standing disaster program that we included in the Food and Energy Security Act – and are you willing to work with Congress on how best to provide this assistance to producers suffering from natural disasters? What are your views on the matter and how do propose we proceed?

(4) As we've seen with things like the Cowboy Starter Kits where payments go to people that don't farm, and the instances where payments go to deceased farmers long after Regulations require them to stop, USDA has a track record of ineffective or improperly administering programs. These examples indicate the existence of numerous problematic loopholes. I'd request that you work closely with members of this Committee to clean up these problems and to review current program administration to help find and close loopholes that undermine the political support for safety net programs as well as undermining the effectiveness of the programs. What are your thoughts on fixing these problems and have you been able to look into these matters?

(5) You mention in your testimony the importance of renewable energy and I could not agree more: biofuels and renewable energy are absolutely vital to improving our national energy security and they are important for rural economies and farmers. I think one of the biggest issues facing us when it comes to renewable fuels and biofuels is how we diversify our domestic production. Somehow we've got to help farmers transition to producing biomass crops and other cellulosic feedstocks, while also diversifying all our renewable energy production so that we take advantage of things like biogas produced from animal wastes. I'm interested in your perspectives on this and how you see USDA's role, particularly in how USDA works with the

Department of Energy. In the past, it has seemed that the two agencies have been more interested in battling over the "turf" than on administering the programs effectively. Can you assure us that one of your top priorities will be to get better cooperation between USDA and DOE on renewable energy and biofuels?

(6) I mentioned the concerns I had with the closing of FSA offices in Nebraska and other states. Are you willing to revisit that matter and make certain that FSA resources are properly distributed nationwide so that they are getting to the areas where the workloads indicate real needs? Do you have any further thoughts on how FSA can better serve producers and more effectively administer the programs without unnecessarily closing county offices?

(7) Payment limits for commodity program payments continues to be one of the most challenging and contentious issues for the farm bill. Have you had the opportunity to review the various positions and proposals on payment limits and, if so, what are your thoughts? The Administration favors a strong AGI limitation, while some of us here favor strict caps on the payments going to producers, do you have an opinion one way or the other?

(8) Furthermore, what other reforms do you think need to be made in our farm programs? Coming at the farm bill and farm programs from an "outsider's" perspective, what thoughts do you have on these matters and how do you propose reforming our farm programs in the future?

(9) Governor Schafer, I have long fought to ensure that Sorghum is treated on an equitable basis with corn by USDA and our farm safety net programs. As you know, sorghum is becoming an increasingly important crop because it uses much less water than corn and can be a complete substitute for corn starch in ethanol production and other processes. Considering the long-running problems we in Nebraska face with drought and with water quantity, it would seem to me that the federal government ought not be creating disincentives to grow sorghum in water-stressed regions of the country. Unfortunately, that seems to have been what USDA has done time and again. In 2002 and this year, I worked to make sure that sorghum was treated equally with corn. Now, however, it seems that the Risk Management Agency inexplicably continues to provide disincentives to sorghum production and I have not been able to get a good answer to why that is. I am concerned with how RMA determines price elections for crops like sorghum. RMA price elections for sorghum are set at 93% of corn even though the USDA World Agricultural Supply and Demand Estimates have sorghum trading nationally at 108% the value of corn. Will you then, pledge to work with myself and others interested in this issue to make sure that our federal farm policies – including RMA price elections – equally treat corn and sorghum where that equal treatment is justified?

Senator Pat Roberts
Questions for Governor Schafer
Senate Committee on Agriculture, Nutrition and Forestry
January 24, 2008

1. Governor Schafer, after the House and the Senate looked under each chair and every cushion for offsets, both decided to keep the Direct Payments rates at their current levels. In their own proposal released almost a year ago, USDA actually offered a slight increase in the Direct Payment program.

We all know that this program is the most trade friendly program in the commodity title. But more importantly, this is the only program that assists producers and their lenders during times of loss when prices are high due to low supply caused by Mother Nature.

We now have the administration and both chambers of Congress on record supporting the Direct Payments program at the current level. Governor Schafer, how do you view the Direct Payment program and will the administration continue to vigorously support the program as they did in their farm bill proposal?

2. Governor Schafer, the United States has three pending free trade agreements – the most imminent being the trade agreement with Colombia. After negotiating an agreement last May with my colleagues on the other side to include enhanced labor and environmental protections, so far only the Peru FTA has seen action. What is your view in regard to the benefits of these pending trade agreements? What role will you play in moving the trade agenda forward?

Specifically, in regard to the Korea FTA, I and many of my colleagues have voiced our concerns regarding the obstruction to full beef trade. What is your view on the situation and how will you work to resolve the impasse before the trade agreement comes before Congress?

3. In Kansas, cattle outnumber people more than 2 to 1 and more cattle are processed there than any other state nationwide. So resuming beef trade with our former trade partners and tapping into new markets is critical to Kansas livestock producers and processors and our overall state economy.

Resuming trade with former markets has been a grudgingly slow and frustrating exercise. Last May, the OIE (International Animal Health Organization) classified the U.S. as a "controlled risk" for BSE and that our food safety system ensures that U.S. beef products from any animal of any age can be safely traded.

Do you view this "controlled risk" determination, which is based on science and not fear, to be a tool in expanding access to important foreign markets? What priority will you give to resuming trade based on sound science in your agenda?

United States Senator Ken Salazar
Questions for Record
Confirmation Hearing for Secretary of Agriculture Nominee Ed Schafer
1/24/08

Specific Goals

If confirmed, you will most likely have one year as Secretary. Are there any specific goals that you have in mind in addition to your testimony?

Challenges Rural America is Facing?

Governor, in your view what are some of the most serious challenges facing rural America and what do you believe the Department should do to address those challenges?

2007 Farm Bill

Governor, in your testimony you talked about your desire to enhance our agricultural economy, advance renewable energy, protect America's safe and low cost food supply, nutrition, rural infrastructure, and resource conservation. In my view, it is going to be very difficult to do that without a Farm Bill re-authorization.

What do you specifically plan to work on with the President to get a Farm Bill reauthorization signed into law?

2007 Farm Bill Implementation

In my view, one of the most important issues you will deal with as Secretary will be beginning the implementation of the Farm Bill.

Will you commit to working with the Members of this Committee so that we can be sure that Congress' intent is reflected in the implementation of the bill's different programs and provisions?

Disaster Assistance

Do you support the efforts that Congress has made in the past to provide assistance to agricultural producers in the midst of natural disasters such as floods, drought, and blizzards in the form of ad hoc agricultural disaster assistance packages?

Renewable Energy

1. Do you agree that the Department has a role to play in the development of renewable energy in rural America? What role should that be or not be?

2. Will you be an advocate for the direction of increased resources to renewable energy development in rural areas?

3. What role do you believe rural cooperatives should play in the development of rural America's renewable energy potential?

U.S. Potatoes and Mexico Trade

Last November I wrote the USDA to emphasize the importance of market access for U.S. potatoes to Mexico's border region. I am encouraged that USDA raised this issue during the U.S.-Mexico Consultative Committee on Agriculture meeting last week.

I would like to ask you to keep me apprised of progress on this issue and personally emphasize to you the importance of expanded market opportunities for U.S. Potatoes in Mexico. Will you continue this effort?

Enforcement of Packers & Stockyards

In 2006 the USDA Office of Inspector General testified before this committee regarding the results of its audit the Grin Inspection, Packers, and Stockyards Administration's (GIPSA) management of the Packers & Stockyards Programs. These programs are responsible for maintaining fair trade practices in livestock marketing and transactions.

The audit concluded that that GIPSA had not established an adequate environment or controls for investigative activities, specifically for competition cases. Since then, GIPSA has taken some corrective actions in response to the Inspector General's audit. I am convinced that USDA must continue to be vigilant in investigating violations and enforcing the law in these areas.

As a former governor, what type of approaches have you used in the past to ensure that departments and agencies are doing their job?

In addition, when you found that a department or agency was falling short in its duties, what actions did you take to rectify the situation?

What will you do to ensure full and effective enforcement of the Packers and Stockyards Act by USDA and its agencies?

Socially Disadvantaged Farmer & Rancher Claims Against USDA

Section 5403 of the Senate passed Farm Bill expresses the Sense of Congress that the Secretary of Agriculture should act to resolve all claims and class actions brought against Department in an expeditious and just manner.

Under your leadership, what actions will the Department take to address this Sense of Congress?

National Organic Program

1. Governor, last year USDA's National Organic Program (NOP) took enforcement action against the Colorado Department of Agriculture and a large organic dairy located in Colorado. The action alleged "willful" violations of the National Organic Program.

   USDA took this action without consulting with the Colorado Department of Agriculture, an accredited National Organic Program delegated enforcement and certification agency.

   USDA has since withdrawn its allegations against the Colorado Department of Agriculture and has reached a settlement with the dairy.

   In the recent past, the Colorado Department of Agriculture has not hesitated to propose revoking the organic certification of producers who were found to be in violation of the Program, regardless of size. In all cases, USDA's National Organic Program disagreed with the Colorado Department of Agriculture and upheld these certifications.

   In Colorado there is a concern that the USDA may be having difficulty achieving a "size-neutral" enforcement posture in regards to National Organic Program regulations.

   How do you, as Secretary, intend to address this concern?

2. I understand that the NOP is a small, recently established program that is attempting to manage a rapidly growing organic sector that is valued at $20 billion/year. As Secretary would you be willing to look at NOP as a program that may require additional resources and further development in the coming year?

National Animal Identification

As you are well aware, many individuals and organizations are concerned about the implementation of the National Animal Identification System (NAIS). It has been reported that USDA is providing states and organizations grants to support implementation of NAIS. Some states are using them to implement voluntary programs and maintaining all information gathered at the state level, while some states are using the funds for other purposes.

Will you provide to the Committee a detailed report on these grants and identify the where in USDA's budget these funds are being derived from?

Dairy

In 2007 the USDA investigated the price reporting process for non-fat dry milk (NFDM). Upon completing the 52-week review, the National Agricultural Statistics Service (NASS) discovered that errors in reporting had occurred in both non-fat dry milk and whey prices which resulted in a significant loss of income for dairy producers.

As Secretary, will you provide the Committee with a detailed report of the actions that USDA has taken to address these reporting errors?

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR TOM HARKIN

Organic Pasture

Currently, USDA's National Organic Program regulations require access to pasture for all ruminant animals [§205.237, §205.239]. However, in recent years, it has become clear that some organic dairies have been permitted to sell milk as "organic" even though their cows have not had access to pasture, leading many to believe the program regulations should be clarified to ensure integrity of the organic standards.

To address this growing concern, USDA in 2006 issued an Advanced Notice of Proposed Rulemaking to solicit input from the public about the pasture issue. After receiving input from certifiers, farmers, consumers and industry regarding the pasture standards, USDA indicated its intention to issue a proposed rule in 2006 to update the rule. Unfortunately, after two years, a proposed rule has not been published.

1. As Secretary, will you work to expeditiously publish the rules regarding access to pasture for organic ruminants?

Response: It is my understanding that USDA is working on rulemaking to address the pasture requirements for organic ruminants, which is currently in clearance in the Department. If confirmed, I will expeditiously ask for a briefing on the issue to understand what is needed to bring the process to a conclusion.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR MAX BAUCUS

1. The Administration has said they oppose the AGI limit in the Senate and House Farm Bill's as well as the tax provisions included in both Bills. What specific concessions will you recommend the Administration make to help Congress get the Farm Bill across the finish line and get it signed by the President?

Response: Successful completion of a new Farm Bill this year would be one of my highest priorities. I understand that the AGI limit and tax provisions are among the more widely debated issues. If confirmed, I look forward to working with Congress to develop a Farm Bill that the President can sign.

2. Will you come out to Montana in the next six months to visit with farmers and ranchers?

As you may know, my wife grew up on a farm in Turner, Montana, so I have a great appreciation for your state and its farmers and ranchers. I appreciate the invitation, and if confirmed look forward to visiting Montana as soon as my schedule will permit.

3. If you could write a disaster program would you base payments on whole-farm losses or losses to individual farm units?

Response: While I believe the primary vehicle to address production losses should be the crop insurance program combined with a revenue based countercyclical payment, I am anxious, if confirmed, to have the Department's experts brief me in detail on this important issue. My understanding is that crop insurance and to a certain extent the countercyclical payment program both utilize the unit structure to deliver assistance.

4. Should farmers be required to purchase crop insurance to qualify for disaster assistance?

Response: I believe that crop insurance should be the primary tool available through the Federal government for farmers to manage their production risks. Crop insurance provides farmers with effective risk management protection in a cost-effective and timely framework. Crop insurance also provides farmers a greater degree of individual control of their risk management program as compared to what can be provided through a disaster assistance program. It is my understanding that the Administration has proposed requiring the purchase of crop insurance as a condition for receiving farm program benefits. I would note that I also believe that the availability of disaster assistance provides a disincentive for at least some farmers to participate in the Federal crop insurance program.

5. In the most recent disaster bill farmers only receive payments for one out of every three years. Unfortunately, this rewards farmers who only suffered a loss one year, but provides little assistance for those who suffer multi-year disasters. Do you support a program that would provide disaster assistance annually?

Response: I agree that we should take a very hard look at the current disaster payment system, and understand that there are several proposals to address the various perceived shortcomings. I believe the primary vehicle to address production losses should be the crop insurance program combined with a revenue-based countercyclical payment. Combined, these programs would provide a dependable mechanism to address multi-year disasters.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR SHERROD BROWN

1. Farmers in Ohio and across the country are facing tremendous opportunities and challenges resulting from the transformative effect of biofuels on the agricultural economy. Currently, crop prices are high but volatile. And I've heard from many farmers that input costs are rising as well as their overall risk. Current farm programs protect against chronic low prices. However, these programs do little to help farmers when prices are high but yields are low—resulting in a revenue shortfall. The Senate passed the Average Crop Revenue program to address these concerns. In your opinion, what role can revenue protection programs, similar to the Average Crop Revenue program, play in helping farmers manage the risk inherent in farming?

Response: I support the creation of a revenue-based counter-cyclical payment program similar to that contained in the United States Department of Agriculture's 2007 Farm Bill Proposals. Should I be confirmed as Secretary, I look forward to working with Congress to craft a revenue-based counter-cyclical payment programs to provide farmers with this critically important risk management tool.

2. Food banks in Ohio and every other state are trying to deal with empty commodity shelves and increased need from working Americans as the economy slows down. The pending House and Senate Farm Bills would help alleviate this need by providing increases in the amount of TEFAP funding each year from $140 million to $250 million. Delays in reaching agreement on the Farm Bill have meant continued shortfalls at food banks and other food rescue organizations. In an effort to provide short term emergency funding, I have introduced S. 2431, which would provide $40 million in anticipated TEFAP funding increases so that USDA can purchase and distribute these commodities prior to passage of the Farm Bill. I would appreciate any support from USDA on this measure. Are there opportunities for USDA to provide short term emergency food assistance prior to passage of the Farm Bill?

Response: Food banks are a critical link in providing nutrition assistance to those in need. I am committed to continuing our partnership with them and encouraging other key partners -- state and local governments, charitable organizations, and industry -- to do their part as well.

It is my understanding that USDA recently started an innovative program to barter stocks of CCC raw commodities for foods to be provided to the TEFAP program. I understand that these foods are reaching food banks now and will provide some short-term assistance. If confirmed, I would encourage more of these creative approaches so we can quickly leverage our available resources to help those in need.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR ROBERT CASEY

1. As a former Governor of a major agricultural state and a CEO of Extend America, which worked on broadband access for rural communities, what is your opinion of the veto threat against the Farm Bill? If the veto were to be used, how do you propose that we keep critically important programs like Food Stamps and countercyclical payments operating?

Response: I am optimistic that the Congress can deliver a bill to the President that he will sign. I am committed to working with the committee to achieve the necessary reform for a Farm Bill.

2. In light of the numerous outbreaks of foodborne illness in the past few years, as well as the number of recent large recalls of food products, such as ground beef, the issue of ensuring the safety of our food supply has taken on a greater urgency. There are currently a number of proposals in Congress to improve the safety of food, including one to create a single Food Safety Administration. What is your opinion of the need to create a single, cohesive agency dedicated to food safety?

Response: Food safety is an important topic and certainly one that deserves attention. As you mention, there has been a broad discussion in the past year about food safety and whether our current system is the appropriate approach for protecting public health. You reference the numerous proposals that have been introduced in Congress and specifically legislation to create a single food agency. If confirmed, I will take a close look at this as well as the other Congressional proposals. I plan to work closely with Congress and our food safety experts at USDA about the approach that best protects public health.

3. Senator Grassley and I recently introduced the EAT SAFE Act (S.2418), which addresses the problems of smuggled food and agriculture products which pose serious risks to our plants, animals, and food. Among the various sections of this bill is a provision authorizing $10 million for the USDA's Food Safety and Inspection Service to increase the number of full-time field investigators, import surveillance officers, and other related staff by 100 employees in order to provide additional detection of food defense threats and detect, track, and remove smuggled human food products from commerce. What is your opinion on the need for additional personnel to carry out such responsibilities?

Response: I share your concerns about the threat of illegal imports to our food supply and US agriculture. If I am confirmed, I will be sure to look at the needs of the agency to prevent illegal imports and work closely with other agencies involved in these efforts. As the governor of a border state, I understand how important it is to protect against smuggled food and agriculture products which could pose serious risks to our plants, animals, and food.

4. Other proposals currently in Congress to deal with the issue of food safety, including one Senator Brown and I introduced (S.2081), propose giving both the FDA and USDA mandatory recall authority for food products. Recently, the Administration's Import Safety Action Plan recommend that FDA be authorized to pursue the mandatory recall of food products. Do you feel that USDA should also be given mandatory recall authority? And, why or why not?

Response: If confirmed, I plan to meet with food safety experts about the additional steps that we can take to improve food safety. Specifically, I will ask about the agency's ability to conduct effective recalls and the implications of the current voluntary recall authority versus a mandatory recall.

5. As we discussed during our meeting in November, dairy farmers have been hit hard by rising feed and fuel prices. I have spent the past year working on a number of initiatives to help provide some relief, some of which were included in the Senate-passed Farm Bill. Unlike crops like wheat and corn, dairy prices are set by the federal government so we have an obligation to make sure that we are not preventing dairy farmers from getting a fair price for milk. Do you have any suggestions on ways to improve the federal dairy pricing system (i.e. the Federal Marketing Order system) to help milk prices keep pace with the actual cost of producing that milk in a more timely manner?

Response: While I am not fully aware of all of the details, I do know that USDA has a number of programs that address the issues and challenges facing the dairy industry. If confirmed, I commit to being fully briefed on these programs to ensure you and I can sit down and discuss the interactions of these and how they assist the dairy producers in your state.

6. Another factor in the hard times that dairy farmers have experienced was the milk power price reporting error that was discovered last summer. Dairy farmers in the Northeast, including Pennsylvania, lost tens of millions of dollars as a result of this price reporting error. Part of the problem was firms using the wrong data when disclosing their prices, but the other problem was a lack of oversight and proper auditing by USDA. What will you do to prevent this from happening again? What will you do to help farmers recoup their loses due to the error?

Response: As I understand this situation, in July 2007, USDA published a rule authorizing the verification of prices reported by plants selling the four manufactured dairy products reported to USDA for use in FMMO pricing formulas. The rule was effective on August 2, and USDA auditors were in plants verifying reported prices on August 6. To date, USDA has visited every reporting plant at least once and will continue this oversight as budgets allow. Frequency of visits in the future will depend upon the availability of funds. As noted above, these reported dairy product prices are used to establish minimum FMMO prices on a monthly basis. After handlers have made their payments to the FMMO pools and these funds have been dispersed to dairy farmers, there is no way to obtain additional dollars from the marketplace to compensate dairy farmers. Handlers set their prices to their customers and sell their products on the basis of the prices announced. If confirmed, I commit that I will work within the Department to ensure all appropriate steps are being taken to ensure accurate reporting.

7. Senator Specter and I have been working on clarification of a provision in the Agriculture Marketing Act of 1937 that seems to give the Secretary of Agriculture the authority to change milk prices based on cost-of-production. Section 608(c)18 reads,

"The Secretary Of Agriculture, prior to prescribing any term in any marketing agreement or order, or amendment thereto, relating to milk or its products, if such term is to fix minimum prices to be paid to producers or associations of producers, or prior to modifying the price fixed in any such term, shall ascertain the parity prices of such commodities"... if the Secretary "finds that the parity prices of such commodities are not reasonable in view of the price of feeds, the

available supply of feeds, and other economic conditions which affect market supply and demand. . .he shall fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk:: and be in the public interest."

With the projected decrease in milk prices paid to farmers in the next year and increased input costs of fuel, feed, and fertilizer, does USDA plan on utilizing authority under Section 608(c)18 of the Agricultural Marketing Assistance Act of 1937 to adjust for the change of price of feeds and other economic conditions that dairy farmers across the United States are facing?

Response: It is my understand that USDA has been using Section 608(c)18 as the standard authority for setting class prices under the FMMO program. Changes in economic conditions, both on the production and the consumption sides, are reflected in the wholesale prices of manufactured dairy products. By using the wholesale prices of butter, cheese, nonfat dry milk and dry whey in our minimum price formulas, both the costs of farmers to produce milk and the ability and willingness of consumers to purchase these products are recognized. If confirmed, I will review this policy.

8. What is your position on food labeling, specifically labeling of dairy products and labeling for no antibiotics/pesticides/growth hormone? What can USDA be doing to provide more oversight over mislabeled or falsely labeled food products?

Response: I believe that product labels should be truthful and not misleading. My understanding is that the labeling of dairy products falls under the jurisdiction of the Food and Drug Administration (FDA). If confirmed, I look forward to working with FDA and other federal agencies to ensure products are properly labeled where required, and in the case of marketing claims, work to ensure those claims are accurate.

9. Senator Brown and I included an important amendment in the Dairy Subtitle of the Senate-passed Farm Bill that requires mandatory daily price reporting for dairy products. Our amendment helps solve the serious problem of outdated dairy pricing. The current system is extremely complex and there is not enough transparency for dairy farmers. Mandatory daily reporting, similar to what is used in livestock markets, would give farmers real-time reporting and data publication on a daily basis. Our amendment is also supported both by dairy farmers and dairy processors. What is your position on the program proposed in our amendment?

Response: As I understand, USDA currently provides weekly reports of basic dairy product prices and volumes which meet the needs of the Federal milk marketing order program. If confirmed, I will look into the details of your proposed enhanced data collection activities and how it would affect the current marketing system.

10. The Commodity Supplemental Food Program (CSFP) provides monthly nutritious food boxes to low-income seniors, women, infants and children in 32 states, 2 Indian Tribal organizations and the District of Columbia. 91% of the more than 500,000 recipients of this program are low-income seniors, many of whom are not eligible for food stamps or other types of Federal nutrition assistance. Yet, last year the President once again proposed elimination of this program, arguing that it duplicated other Federal nutrition assistance programs. What are your thoughts on the value of and need for this program? Would you be in favor of expanding senior-eligibility and/or expanding the caseload numbers for this program?

Response: If confirmed I commit to reviewing this program and look forward to working with you after I am briefed.

11. What is your position on mandatory animal identification? Do you believe USDA will be able to successfully implement a national animal ID program on a voluntary basis?

Response: I do not believe that it is appropriate for USDA to mandate producer participation in the National Animal Identification System (NAIS). I do however believe that NAIS is needed in our country to give State and Federal animal health officials the tools they need to respond swiftly and thoroughly to serious animal disease events. This can be accomplished through a voluntary program that works cooperatively with the livestock producers. I believe it is critical that producers understand NAIS, its benefits to them and their industries, and then make informed decisions regarding their participation.

12. What is your position on Country of Origin Labeling and do you feel it should be mandatory for all agriculture and food segments?

Response: USDA has until September 30, 2008 to implement current law, which I understand Congress has amended at various times since the 2002 farm bill. I also note that Congress is considering further amendments to the original mandatory COOL provisions. If confirmed, I will work to implement the laws Congress has enacted.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR MICHAEL CRAPO

1. A major portion of U.S. Department of Agriculture (USDA) Rural Development assistance is composed of funds for rural housing under the USDA Rural Housing Service. In Idaho, approximately 50 percent of USDA Rural Development loans are housing loans. It takes competent and well-trained staff to assist rural communities in the process of understanding and navigating the matrix of federal rural housing assistance. Idaho's USDA Rural Development staff has performed well, providing support and assistance despite an 8.7 percent cut to its salaries and expenses budget in January 2007, which resulted in the elimination of approximately 6.5 employees and the closure of two USDA Rural Development offices. Although Congress has not cut the Rural Development salaries and expenses budget, there has been word of another possible three to 3.5 percent cut to the salaries and expenses budget for 2008. These cuts come at a time when Rural Development operations in Rocky Mountain States are already understaffed. These salary cuts are predicted to place the greatest burden on the housing loan staff. To date, no explanation has been given as to the reason for the cuts.

Why is the salaries and expenses budget being cut even though Congress has not cut that budget?

As the Secretary of Agriculture, how supportive would you be of the USDA Rural Housing Service and how committed would you be to ensuring that states like Idaho have the funds necessary to provide for staff to service rural housing needs?

Response: It is my understanding that USDA Rural Development is in the process of updating the way it conducts business nationwide. While I do not know the details, I have been briefed that updated business plans are being implemented in each state that realigns offices to ensure that all USDA Rural Development offices have the staff and expertise needed to deliver all programs. If confirmed, I will make sure I am fully briefed on these plans.

While I am unfamiliar with the details of the FY08 budget, I am supportive of Rural Development and recognize the importance of home ownership in rural areas. As a former governor and business owner, I recognize the need to respond to market, budget and program demands in a changing environment. I believe improving efficiencies through new business plans and available technology will better position USDA to respond to future demands. If confirmed, I will work to ensure that all USDA agencies have the necessary resources they need to accomplish their priority missions during these times of tight budget constraints.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR CHARLES GRASSLEY

1. The Mandatory Price Reporting law was passed in 2006. However, it's now January 2008 and USDA still doesn't have the rulemaking completed. What has been the holdup and how soon will it be finished? What percentage of each species has been reported voluntarily, that would normally be required to report if the law was mandatory?

Response: Although Congress reauthorized the Livestock Mandatory Reporting Act of 1999 in 2006, unfortunately it was not signed into law until after the authority for 1999 legislation had lapsed. As a result, USDA was required to start the rulemaking process from scratch through a notice and comment process. Accordingly, a proposed rule pertaining to the reimplementation of the program was published in August 2007 and the final regulations that would re-implement the program are in Departmental clearance now.

If confirmed, I will quickly work to obtain the information you have requested regarding the specific data related to the percentage of each species that has been reported voluntarily, that would normally be required to report if the law was mandatory.

2. With the rising prices of corn and soybeans, I know that USDA is feeling pressure to release CRP acres. Regardless of whether this happens or not, the nature of the markets tends to indicate that prices will fall. What will USDA do to make sure that CRP acres are targeted to the most highly erodible and sensitive lands?

Response: Coming from North Dakota, I am keenly aware of the benefits of the Conservation Reserve Program (CRP). I believe the program is an important one to the general conservation goals of our nation. If confirmed, I will work to ensure that this program protects our most highly erodible and sensitive lands. Should discussions take place to consider releasing CRP acres, I will not make that decision lightly. My goal, first and foremost, is to protect the conservation of sensitive lands.

3. The Government Accountability Office (GA0) sent a letter to Acting Secretary Chuck Connor on January 18th, requesting documents and data from the Assistant Secretary of Civil Rights for their review of the office's performance. From what GAO tells me, they have made these requests over the last series of months and have not at this point received all necessary documentation to conduct a full review. With the USDA's history of discrimination against both farmer's and employees, can you assure me that all requested documents will be provided in a timely manner? And if so, by when can GAO expect them?

Response: If confirmed, I will immediately look into this request and get fully briefed our USDA's efforts to provide appropriate responses to GAO's requests.

4. Over the past decade I've put considerable effort into opening the Mexican market to U.S. exports of high fructose corn syrup. With the full implementation of NAFTA on January 1, 2008, Mexico is now finally providing unfettered duty free access to our exports of high fructose corn syrup. I'm concerned; however, that a proposed agreement to manage U.S.-Mexican sugar trade could threaten U.S. exports of high fructose corn syrup to Mexico. That would harm U.S. corn farmers and downstream producers in the United States. Are you aware of this proposed agreement? If confirmed as Secretary of Agriculture, would you oppose this proposed

agreement? Are there any circumstances in which you would support a proposal for managed trade in sugar between the United States and Mexico?

Response: I believe that NAFTA has been a remarkable success story for all three partners. It has contributed to significant increases in agricultural trade and investment between the United States, Canada and Mexico and has benefited farmers, ranchers and consumers throughout North America. I know that both countries are some of our best customers when it comes to agriculture.

I am aware that on January 1, 2008 the last few trade restrictions on agricultural products were removed, and U.S. farmers and ranchers are prepared to take advantage of the full potential of NAFTA to expand trade. As Secretary, I will continue the efforts of my predecessors to ensure that rules for all agricultural products traded with Mexico are fair, transparent, and comply with the terms of our mutual agreements.

While I have heard reports of a proposal to manage sugar trade with Mexico, I am not familiar with the details. If confirmed, I will look closely at this and any other issues impacting agricultural trade.

5. How do you anticipate handling the large amount of rulemaking that will be necessary after passage of the farm bill and in particular, making sure that dead farmers and those who aren't really engaged in farming aren't receiving program payments?

Response: As a former Governor, I understand that rulemaking after passage of a significant piece of legislation like the Farm Bill is a significant challenge that the Department of Agriculture will face. It is vitally important, however, that rules and regulations are drafted in such a way that they maintain the integrity of congressional intent and provide fair and equitable distribution of benefits. Regarding payments to deceased individuals, I will make it a priority to protect taxpayer dollars by working to ensure that these funds are distributed only to appropriate recipients.

6. What will be the first thing you will do to ensure that the Packer's and Stockyards Program enforces the law that is currently in place, and takes seriously any new laws that we pass in the Farm Bill? Also, do you believe that the Packers and Stockyards Program has adequate resources and if not, what do you need to make sure that effective competition investigations are being done?

Response: I understand that USDA has taken an aggressive approach to enforcing the existing provisions of the Packers and Stockyards Act and worked to building a strong regulatory program to protect producers and ensure competitive markets for livestock and poultry. They have successfully addressed the issues identified by OIG in their 2006 audit report: removing internal roadblocks, increasing morale and targeting resources to increase industry compliance with the Act and regulations. My first steps as Secretary will be to ensure these positive changes in the program continue and results from their program activities continue to improve.

7. How many open competition investigations does Packers and Stockyards currently have? What timetable do you have for each of these respective investigations to be completed?

Response: While I am not aware of the details, I have been briefed that the Packers and Stockyards Program has two competition cases under investigation in the field and expects the

field work to be completed this spring. P&SP also has additional competition cases that are under review or in the formal administrative process.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR PATRICK LEAHY

1. Nutrition Programs
Food banks in my state and across the country depend upon commodities distributed by the Department of Agriculture through The Emergency Food Assistance Program (TEFAP). Historically, this has come both through TEFAP funding and through bonus commodities that USDA purchases as the market warrants. Since passage of the 2002 farm bill, bonus commodities have declined significantly and left food banks with dangerous shortfalls of food. The Farm Bill passed in December by the Senate would provide $250 million a year for TEFAP

As I'm sure you are aware there is a great deal of discussion on the need for an economic stimulus package. I believe we cannot afford to ignore the warning signs that our economy is in trouble any longer. Congress and the Administration must act to provide a prompt, sensible and effective plan that will complement the emergency rate cuts announced Tuesday by the Federal Reserve.

We must focus on sound steps that will give us the biggest bang for the buck and will flow into the economy rapidly, so that we stimulate the economy where and when it is most needed. One of the proven ways to stimulate the economy for those in need is through the Food Stamp program which you will oversee if confirmed. Today I sent a letter today supporting an across the board twenty percent increase of benefits for a six month period.

1.1. Question: Do you agree that Food Stamp benefits have a positive measurable impact on the US economy?

Response: The Food Stamp Program is one of the government's "first responder" programs in times of economic difficulty. Simply by virtue of its design, the program expands to meet increased need when the economy experiences a downturn and contracts when the economy is strong. Food stamp benefits flow to communities, States, and regions of the country that face rising unemployment or poverty, providing a boost for local economies. Conversely, when the economy strengthens, program participation declines.

Even more fundamental to its mission, the Food Stamp Program, along with the other domestic nutrition assistance programs, form a nutritional safety net designed to serve low-income individuals, children and families in need. As a former Governor, I am very familiar with the positive impact food stamp benefits have on the lives of those in need.

Food stamps are the centerpiece of our nation's nutrition assistance system. I am committed, if confirmed, to continuing USDA efforts to ensure access to the Program and encourage participation by those who are eligible.

1.2. Question: Do you feel this Senate level of funding for The Emergency Food Assistance Program is enough to address the continued shortfalls in bonus commodities?

Response: Clearly, it is in everyone's interest to ensure that food banks and other emergency food providers are able to respond effectively to the needs of those that rely on them. It is my understanding that the Administration proposed $2.75 billion in additional funding for fruit and vegetable commodity purchases over the next 10 years as part of its Farm Bill proposal, and that

part of this increase would be directed to TEFAP, providing a more stable flow of commodity foods than bonus purchases, by their nature, can provide.

If confirmed, I will direct my staff to make recommendations as to what else can be done within USDA's resources to help offset recent declines in the availability of bonus commodities that have resulted from the current strength of the U.S. agriculture market. I would also encourage other key partners in emergency feeding efforts, such as state and local governments, charitable organizations, and industry to find additional resources and creative solutions to address this issue.

1.3. Question: Once the Farm Bill is signed by President Bush and funds are allocated, how can USDA help expedite the purchase, allocation, and transportation of commodities to people who depend on The Emergency Food Assistance Program?

Response: If confirmed, I will direct the Department to brief me on processes for the purchase, allocation, and distribution of USDA commodities to TEFAP outlets and the Department's other commodity distribution programs. Because TEFAP provides critical assistance to food banks and other emergency food providers serving those in need, working with our partners at the State and local level to ensure the prompt delivery of commodities will be a priority.

1.4 Question: Are there innovative ways you can help tide food banks over until the Farm Bill is enacted?

Response: By their nature, food banks and other emergency feeding organizations are grounded in partnerships. All those involved in their longstanding success – USDA, state and local governments, charitable organizations, industry, and individuals that donate and help distribute food to the needy – need to do what they can to address these shortfalls.

I was pleased to learn that USDA recently started an innovative program to barter stocks of CCC raw commodities for foods to be provided to the TEFAP program. These foods are being delivered now and are providing some immediate relief. I hope that our partners in these efforts will also do their part to find short-term relief. If confirmed, I will continue to encourage creative approaches in both the public and private sectors so we can leverage our limited resources to help those in need.

2. <u>Dairy Programs</u>

As you know dairy production is extremely important to the State of Vermont. I am sure you are aware of the rising cost of inputs for dairy farmer across the nation, but especially in Vermont. Despite milk prices being at all time high; we are expecting significant declines in farm income during 2008 due to excessive increase in fuel and feed prices. The Senate Farm Bill take a strong step forward in restoring a safety net for dairy producers with the expansion of the MILC Program. Nevertheless, I think we must look at all tolls available.

2.1 Question: Would you consider using any tool available to the department to alleviate any significant distress within the dairy producer community such as Federal Milk Marketing Order updates or the Dairy Export Incentive program?

Response: I am very aware that dairy is a vitally important issue in the Northeast and in the State of Vermont. I look forward to becoming more familiar with dairy programs on a national level, and examining issues surrounding Federal Milk Marketing Order updates and the Dairy Export Incentive Program.

3. Disaster Programs

I am deeply concerned by the agencies' poor interpretation of disaster regulations, specifically the implementation of the Livestock Compensation Program (LCP). Unfortunately, USDA has interpreted the program regulations in a way that restricts losses and any extra feed costs incurred to the actual calendar year of the disaster. This is a huge problem in Vermont because many Vermont dairy producers first used their inventory reserves and did not purchase supplemental feed until 2007, and will not qualify for this program. With our feeding season in the Northeast extending through spring, until feed is available from the next crop year, the majority of producers did not make their purchases until after December 31, 2007. The producers I am speaking about all had eligible losses of feed in the same calendar year as the disaster, but will be penalized simply due to the timing of their feed purchases to replace what had been lost due in the natural disasters.

3.1. Question: Governor Schafer are you aware of this situation in Vermont and possibly elsewhere? I hope that as your nomination moves out of this committee and on to the Senate floor that we can come to a resolution on this issue so that the needy and eligible producers both in Vermont and across the country who suffered losses can receive the federal assistance that they so greatly deserve.

Response: I believe that it is important to implement programs based on the law that is passed by Congress. I promise that if confirmed, I will take a close, hard look at this issue in order to ensure that the Department is administering the program, in accordance with the statutory mandate.

4. Forest Service

Fire is increasingly a dominant and destructive natural resource problem for the Forest Service. Seven of the worst ten fire seasons since the 1950's have occurred in just the last 11 years. Communities and livelihoods are put at greater and greater risk from these uncharacteristic fires that bring with them sky-rocketing suppression costs. In 2006, more than 9.87 million acres of public and private land was burned by wildland fire. The Forest Service was forced to spend more than $1.5 billion for wildland fire suppression in just 2006. These expensive fires means agencies cannot fund their other important programs. In fiscal year 2008, the Forest Service will spend 45% of its budget on wildfire suppression and other fire-related activities, compared to just 13% in 1991.

Yet, the Forest Service has not committed the necessary fund to get ahead of this growing problem. By USDA's own calculations, the hazardous fuels in our forests are accumulating at three times the rate than they are currently being treated. Better Forest Service management and immediate action are needed to improve the deteriorating health of the National Forests and to reduce the cost of fighting fires.

4.1 Question: How you will work with Congress to assure that funding for essential Forest Service programs is not diverted to fire, and how you will keep the Forest Service from becoming the Fire Service?

Response: I share your concern that the use of Forest Service program funding to pay for extraordinary fire events has the potential to delay important agency work. The agency should not become a fire assistance agency alone; the Forest Service should focus on the management of

forests for the benefit of people. If I am confirmed as Secretary of Agriculture, I look forward to discussing funding options with you in order to accomplish this important work in the future.

4.2 Question: How will you work with Congress to provide funding for Hazardous Fuel Reduction which is currently the only budget line item for active land management to reduce fire risks on overgrown forest lands?

Response: If I am confirmed as Secretary of Agriculture, I look forward to working with the Under Secretary for Natural Resources and Environment, the Chief of the Forest Service and Members of Congress in a collaborative manner to address funding issues, improve forest health and reduce fire hazards.

5. Animal Plant Health Inspection Service

In recent years, several damaging forest pests have been introduced to America, including the Asian longhorned beetle and emerald ash borer, putting forests across this country at serious risk. The Animal and Plant Health Inspection Service (APHIS) has the principle responsibility defending America's animal and plant resources from invasive pests and diseases. However, according to the Government Accountability Office, programs to eradicate or contain these damaging pests have failed due to inadequate funding in recent years. Congress has repeatedly asked the Secretary of Agriculture to utilize emergency funds from the Commodity Credit Corporation to sustain effective eradication programs. Despite this direction from Congress, such funds have proved difficult to attain for these emergencies. As a result, these pest programs have been reduced severely and eradication efforts have suffered.

I am particularly concerned about the Asian longhorned beetle (ALB) – now located in New York City and neighboring New Jersey and threatening more than 48 million acres of forest from Maine to Minnesota. At risk are wildlife habitat, water and timber supplies, the maple syrup industry, and fall foliage tourism. There is widespread agreement among scientists that this pest can be eradicated – but only with sufficient effort. Funding shortfalls have stretched the projected eradication date out from 2009 to 2032 or later. This delay almost guarantees that the ALB will spread to new areas – including to Vermont and our maple syrup industry.

5.1. Question: What will you do as Secretary to ensure that adequate funds are provided to these programs?

Response: Protecting America's forest resources is a critical responsibility that requires significant coordination with affected states as well as those states that might be at risk. As Secretary, I would take a hard look at our resource needs each year and focus our funding on activities which will have the greatest impact on eradicating or stopping the spread of forest pests. As new forest pest situations arise, USDA must also be prepared to react swiftly and make emergency funding available, when appropriate.

It is important to ensure that the science behind USDA's response programs is sound, so that we are using our limited resources most efficiently. I think that with a strong, well-thought out response plan, scientific tools to fight these pests, and cooperation with the states, USDA will be able to eradicate or stop the spread of these pests while making the most of taxpayer dollars.

5.2. Question: What will you do as Secretary to ensure that adequate funds are provided to ensure the earliest possible eradication of the Asian longhorned beetle?

Response: I would work closely with USDA's agencies charged with combating forest pests to prioritize funding to those activities that will have the greatest effect on eradicating the Asian longhorned beetle. It is my understanding that USDA is close to declaring eradication of Asian longhorned beetle in the Chicago area, and I'd like to examine that situation to see what lessons we can apply to other affected areas of the country.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR BENJAMIN NELSON

Questions:

1. Have you begun formulating any plans to make progress towards more fair and equitable trade in U.S. beef, particularly with nations such as Japan and South Korea? If so, can you provide some of your thoughts on how to get them to comply with the OIE guidelines and to cease unfairly blocking U.S. beef imports?

Response: Coming from North Dakota, I am well-aware of the importance of achieving fair and equitable trade for U.S. beef. Trade in agricultural products should be based on sound science. Clearly, Korea needs to abide by international, science-based standards and allow U.S. beef into the country. You have my commitment that I will diligently work with South Korea, Japan, and all our trading partners to open their markets to safe U.S. beef.

2. Similarly, how do you intend to clean up some of the internal problems at USDA with regard to proper oversight of the shipments to Korea and Japan in order to make sure they comply with current export agreements? How do you view USDA's role in this matter?

Response: The best solution is a comprehensive agreement that results in Korea and Japan recognizing full OIE constituency on beef trade. If confirmed, I look forward to being fully briefed on all of USDA's efforts, as well as those of other federal agencies, to restore our beef trade with these countries and others following recognized, sound science.

3. Are you willing to revisit the Administration's position on disaster assistance – especially the standing disaster program that we included in the Food and Energy Security Act – and are you willing to work with Congress on how best to provide this assistance to producers suffering from natural disasters? What are your views on the matter and how do propose we proceed?

Response: I am certainly willing to engage in discussions with Congress on this important issue. As a former Governor from North Dakota, I have first-hand experience in dealing with natural disasters. As a result, I recognize the need for a predictable safety net to provide assistance to producers when they need it most. I believe that combining crop insurance with a revenue based countercyclical payment would provide such a safety net.

4. As we've seen with things like the Cowboy Starter Kits where payments go to people that don't farm, and the instances where payments go to deceased farmers long after Regulations require them to stop, USDA has a track record of ineffective or improperly administering programs. These examples indicate the existence of numerous problematic loopholes. I'd request that you work closely with members of this Committee to clean up these problems and to review current program administration to help find and close loopholes that undermine the political support for safety net programs as well as undermining the effectiveness of the programs. What are your thoughts on fixing these problems and have you been able to look into these matters?

Response: I agree that USDA must be diligent and detail oriented in administering farm programs. With any government program of this size, there are many complex issues involved in the processing of payments. If confirmed, my background as a former Governor and in business will serve me well as I closely examine these issues to ensure that taxpayer dollars are managed responsibly.

5. You mention in your testimony the importance of renewable energy and I could not agree more: biofuels and renewable energy are absolutely vital to improving our national energy security and they are important for rural economies and farmers. I think one of the biggest issues facing us when it comes to renewable fuels and biofuels is how we diversify our domestic production. Somehow we've got to help farmers transition to producing biomass crops and other cellulosic feedstocks, while also diversifying all our renewable energy production so that we take advantage of things like biogas produced from animal wastes. I'm interested in your perspectives on this and how you see USDA's role, particularly in how USDA works with the Department of Energy. In the past, it has seemed that the two agencies have been more interested in battling over the "turf" than on administering the programs effectively. Can you assure us that one of your top priorities will be to get better cooperation between USDA and DOE on renewable energy and biofuels?

Response: Yes. I can assure you that one of my top priorities will be to work closely with Energy Secretary Bodman and his department, as well as other federal agencies, to maximize the impact of renewable energy programs. USDA has made great strides in promoting renewable energy. A year ago, the President, Secretary Bodman, EPA Administrator Johnson and Secretary Johanns hosted a major renewable conference. Additionally, it is my understanding that the Departments of Energy and Agriculture co-chair the federal Biomass Research and Development Board, which has responsibility for coordinating federal R&D activities related to bioenergy.

I believe there is active collaboration ongoing at many levels, especially bioenergy issues across the Administration and with the private sector. If confirmed I will seek to deepen those ties to maintain the momentum initiated by the President.

6. I mentioned the concerns I had with the closing of FSA offices in Nebraska and other states. Are you willing to revisit that matter and make certain that FSA resources are properly distributed nationwide so that they are getting to the areas where the workloads indicate real needs? Do you have any further thoughts on how FSA can better serve producers and more effectively administer the programs without unnecessarily closing county offices?

Response: If confirmed, I will strive to provide outstanding service to all farmers and ranchers. To achieve this goal, FSA must fairly distribute staffing levels to states based upon workload models. FSA should continually review the allocation of its limited resources to ensure that the agency is providing the best service possible to its customers.

7. Payment limits for commodity program payments continues to be one of the most challenging and contentious issues for the farm bill. Have you had the opportunity to review the various positions and proposals on payment limits and, if so, what are your thoughts? The Administration favors a strong AGI limitation, while some of us here favor strict caps on the payments going to producers, do you have an opinion one way or the other?

Response: I am aware that payment limits and adjusted gross income (AGI) have been major issues during the farm bill debate. I believe that it is important that farm program payments go to those who need them most and support strengthening the AGI limitation. I have not had the opportunity to examine all of the various proposals. If confirmed, I will commit to looking very closely at these proposals.

8. Furthermore, what other reforms do you think need to be made in our farm programs? Coming at the farm bill and farm programs from an "outsider's" perspective, what thoughts do you have on these matters and how do you propose reforming our farm programs in the future?

Response: As a former Governor and businessman, I have seen the benefits of reform at various levels. If confirmed as Secretary, I look forward to working closely with Congress on the passage of a Farm Bill that best meets the needs of America's farmers and ranchers. I believe that my previous experience will be an asset as I work with Congress and others to shape future agriculture policy.

9. Governor Schafer, I have long fought to ensure that Sorghum is treated on an equitable basis with corn by USDA and our farm safety net programs. As you know, sorghum is becoming an increasingly important crop because it uses much less water than corn and can be a complete substitute for corn starch in ethanol production and other processes. Considering the long-running problems we in Nebraska face with drought and with water quantity, it would seem to me that the federal government ought not be creating disincentives to grow sorghum in water-stressed regions of the country. Unfortunately, that seems to have been what USDA has done time and again. In 2002 and this year, I worked to make sure that sorghum was treated equally with corn. Now, however, it seems that the Risk Management Agency inexplicably continues to provide disincentives to sorghum production and I have not been able to get a good answer to why that is. I am concerned with how RMA determines price elections for crops like sorghum. RMA price elections for sorghum are set at 93% of corn even though the USDA World Agricultural Supply and Demand Estimates have sorghum trading nationally at 108% the value of corn. Will you then, pledge to work with myself and others interested in this issue to make sure that our federal farm policies – including RMA price elections – equally treat corn and sorghum where that equal treatment is justified?

Response: This is a very complex issue that I have not yet had an opportunity to completely explore. If confirmed, I commit that I will do my homework to fully understand this issue and would be happy to discuss this issue further with you to ensure that your concerns are heard by USDA.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR PAT ROBERTS

1. Governor Schafer, after the House and the Senate looked under each chair and every cushion for offsets, both decided to keep the Direct Payments rates at their current levels. In their own proposal released almost a year ago, USDA actually offered a slight increase in the Direct Payment program. We all know that this program is the most trade friendly program in the commodity title. But more importantly, this is the only program that assists producers and their lenders during times of loss when prices are high due to low supply caused by Mother Nature. We now have the administration and both chambers of Congress on record supporting the Direct Payments program at the current level. Governor Schafer, how do you view the Direct Payment program and will the administration continue to vigorously support the program as they did in their farm bill proposal?

Response: I have heard from farmers in North Dakota and understand the importance of direct payments. Direct Payments are also the most defensible type of payment and are viewed as non-trade distorting payments in world trade negotiations. If confirmed I will continue to support direct payments as an important component of the farm safety net.

2. Governor Schafer, the United States has three pending free trade agreements – the most imminent being the trade agreement with Colombia. After negotiating an agreement last May with my colleagues on the other side to include enhanced labor and environmental protections, so far only the Peru FTA has seen action. What is your view in regard to the benefits of these pending trade agreements? What role will you play in moving the trade agenda forward?

Specifically, in regard to the Korea FTA, I and many of my colleagues have voiced our concerns regarding the obstruction to full beef trade. What is your view on the situation and how will you work to resolve the impasse before the trade agreement comes before Congress?

Response: Trade and exports are vital to the long-term success of U.S. agriculture, and anything that we can do to reduce barriers to U.S. products and increase our competitiveness in foreign markets is to the benefit of all U.S. farmers, ranchers, and every day consumers. The bipartisan approval of the Peru agreement in both the House of Representatives and Senate certainly was a positive sign.

I believe in the value of trade, and I am committed to working with Congress to approve the trade promotion agreements with Colombia, Panama, and South Korea. Like the agreement with Peru, the trade agreements that the Administration negotiated with Colombia, and Panama would reduce many of the tariffs on U.S. products to zero while allowing these countries to maintain the access to the U.S. market that they already have.

The potential for U.S. exports to South Korea under the Trade Promotion Agreement are enormous. Clearly, Korea needs to abide by international, science-based standards and allow U.S. beef into the country. You have my commitment that I will diligently work with South Korea, Japan, and all our trading partners to open their markets to safe U.S. beef.

4. In Kansas, cattle outnumber people more than 2 to 1 and more cattle are processed there than any other state nationwide. So resuming beef trade with our former trade partners and tapping into new markets is critical to Kansas livestock producers and processors and our overall state economy. Resuming trade with former markets has been a grudgingly slow and frustrating exercise. Last May, the OIE (International Animal Health Organization) classified the U.S. as a

"controlled risk" for BSE and that our food safety system ensures that U.S. beef products from any animal of any age can be safely traded. Do you view this "controlled risk" determination, which is based on science and not fear, to be a tool in expanding access to important foreign markets? What priority will you give to resuming trade based on sound science in your agenda?

Response: I believe strongly that the OIE's recognition of the United States as a controlled risk country for BSE is a tool we can use to reopen markets closed following the detection of BSE. The OIE's classification recognizes that the United States has taken all the actions necessary to address the disease and prevent it from threatening the health of the U.S. cattle herd. Under my leadership, USDA will continue to press countries to accept U.S. cattle and beef products, consistent with OIE guidelines.

RESPONSE TO QUESTIONS SUBMITTED TO SECRETARY DESIGNATE ED SCHAFER BY SENATOR KEN SALAZAR

1. If confirmed, you will most likely have one year as Secretary. Are there any specific goals that you have in mind in addition to your testimony?

Response: If confirmed, I would do my best to make the most of my time as Secretary. Getting a Farm Bill passed and effectively implemented will be one of my top goals. Other prominent goals include expanding trade opportunities overseas, promoting economic development in rural America, strengthening food safety, promoting nutrition and conserving our natural resources.

2. Governor, in your view what are some of the most serious challenges facing rural America and what do you believe the Department should do to address those challenges?

Response: The challenges I saw as Governor of North Dakota are reflective of those that all of rural America face. Proper infrastructure is important for rural America to compete in a global economy. Increased broadband connectivity as well as good water and waste systems are vital to any growing area. Quality healthcare must be available for rural Americans to live, work and prosper. In addition, utilization of our natural resource base while being good stewards is the core of a successful rural America. If confirmed as Secretary, I will work to ensure rural America is prepared not only to meet the challenges of today, but challenges that will come in the future.

3. Governor, in your testimony you talked about your desire to enhance our agricultural economy, advance renewable energy, protect America's safe and low cost food supply, nutrition, rural infrastructure, and resource conservation. In my view, it is going to be very difficult to do that without a Farm Bill re-authorization. What do you specifically plan to work on with the President to get a Farm Bill reauthorization signed into law?

Response: I agree that Farm Bill reauthorization is very important, and know that the President shares that belief. If confirmed, I commit to work very diligently with all interested Members of Congress, as well as with other Administration officials, to attempt to find common ground.

4. In my view, one of the most important issues you will deal with as Secretary will be beginning the implementation of the Farm Bill. Will you commit to working with the Members of this Committee so that we can be sure that Congress' intent is reflected in the implementation of the bill's different programs and provisions?

Response: Yes. If confirmed as Secretary, I commit to working with Congress to ensure that regulations are crafted to conform to the letter and intent of the law.

5. Do you support the efforts that Congress has made in the past to provide assistance to agricultural producers in the midst of natural disasters such as floods, drought, and blizzards in the form of ad hoc agricultural disaster assistance packages?

Response: As a former Governor from North Dakota, I have first-hand experience in dealing with natural disasters. As a result, I recognize the need for a predictable safety net to provide

assistance to producers when they need it most. I believe that combining crop insurance with a revenue based countercyclical payment would provide such a safety net.

6-A. Do you agree that the Department has a role to play in the development of renewable energy in rural America? What role should that be or not be?

Response: The Department currently is a leader in assisting with the development of renewable energy in rural America, and this role should continue. USDA programs help farmers, ranchers, and rural businesses and cooperatives finance and develop all aspects of the renewable energy industry, from biofuels plants to wind turbines to anaerobic digesters. The result is significant added value for farmers and ranchers, and greater economic development for rural communities. The Administration proposed to strengthen its role in renewable energy development in rural areas through its farm bill proposal, which included $1.6 billion in new funding for renewable energy research, development, and production, particularly as it relates to cellulosic ethanol. The farm bill pending before Congress includes provisions similar to those suggested by the Administration.

If confirmed as Secretary I would strive to keep USDA at the forefront of leading our Nation's efforts to develop increased production of renewable energy.

I am excited about the possibility of leading USDA during this time when renewable energy is so vital to our Nation.

6-B. Will you be an advocate for the direction of increased resources to renewable energy development in rural areas?

Response: I am committed to ensuring that USDA not only continues its strong position in the renewable energy field, but to also increasing our efforts to ensure that all Americans benefit from the development of renewable energy resources. I understand that the Administration's farm bill proposal recommended $1.6 billion in new funding for renewable energy research, development, and production, including $500 million for bioenergy and biobased product research, $500 million for renewable energy systems and energy efficiency grants, and funds to support $2.1 billion in guaranteed loans for cellulosic projects. These types of increased resources are necessary for the continued development of renewable energy in rural areas.

6-C. What role do you believe rural cooperatives should play in the development of rural America's renewable energy potential?

Response: Rural cooperatives should continue to play a key role in the development of renewable energy in rural areas. For example, many of the ethanol and biodiesel plants scattered across rural America are farmer-owned cooperatives. Through rural cooperatives, agricultural producers have the opportunity to increase the value-added potential of their commodities, strengthen their local economy, and help lead the nation towards energy independence. USDA's continued partnerships with cooperatives will be enhanced as a result of new opportunities related to renewable energy.

7. Last November I wrote the USDA to emphasize the importance of market access for U.S. potatoes to Mexico's border region. I am encouraged that USDA raised this issue during the U.S.-Mexico Consultative Committee on Agriculture meeting last week. I would like to ask you to keep me apprised of progress on this issue and personally emphasize to you the importance of expanded market opportunities for U.S. Potatoes in Mexico. Will you continue this effort?

Response: I look forward to working on expanding market opportunities for all U.S. agricultural products, including U.S. potatoes to Mexico. I will continue this effort and keep you apprised of progress on this issue.

8-A. In 2006 the USDA Office of Inspector General testified before this committee regarding the results of its audit the Grain Inspection, Packers, and Stockyards Administration's (GIPSA) management of the Packers & Stockyards Programs. These programs are responsible for maintaining fair trade practices in livestock marketing and transactions. The audit concluded that that GIPSA had not established an adequate environment or controls for investigative activities, specifically for competition cases. Since then, GIPSA has taken some corrective actions in response to the Inspector General's audit. I am convinced that USDA must continue to be vigilant in investigating violations and enforcing the law in these areas. As a former governor, what type of approaches have you used in the past to ensure that departments and agencies are doing their job?

Response: As Governor, effective communications, both internally and externally were critical to ensure agencies were effectively delivering programs. Internally, I worked closely with the agency head and set an overall strategy for each department. I held meetings with agency leaders through various levels of management to communicate mission goals. I also filmed videos to explain the mission, goals and desired interaction with the front line employees and customers. I regularly interacted with citizens using State programs. I also held Cabinet session briefings on problems in agencies and regularly held bipartisan meetings with legislative leaders.

8-B. In addition, when you found that a department or agency was falling short in its duties, what actions did you take to rectify the situation?

Response: As Governor, I would receive briefings from agency heads regarding problems and would also meet with front line employees and user groups to hear their views on the situation. I would then develop a strategy and communications plan to address identified barriers.

8-C. What will you do to ensure full and effective enforcement of the Packers and Stockyards Act by USDA and its agencies?

Response: If confirmed, I will closely monitor the progress of the Packers & Stockyards program. In addition, I understand that GIPSA has asked OIG to come back this year and conduct a follow up audit. I look forward to reviewing the results of that audit.

9. Section 5403 of the Senate passed Farm Bill expresses the Sense of Congress that the Secretary of Agriculture should act to resolve all claims and class actions brought against Department in an expeditious and just manner. Under your leadership, what actions will the Department take to address this Sense of Congress?

Response: I firmly believe that all of USDA's employees and customers must be treated fairly and with dignity. This principle applies to the administration of programs and to the conduct of litigation. If confirmed, I will ensure that USDA works closely with the Department of Justice to examine outstanding claims and class actions to ensure that every effort is made to resolve disputes in the most expeditious and just manner.

10-A. Governor, last year USDA's National Organic Program (NOP) took enforcement action against the Colorado Department of Agriculture and a large organic dairy located in Colorado. The action alleged "willful" violations of the National Organic Program. USDA took this action without consulting with the Colorado Department of Agriculture, an accredited National Organic Program delegated enforcement and certification agency. USDA has since withdrawn its allegations against the Colorado Department of Agriculture and has reached a settlement with the dairy. In the recent past, the Colorado Department of Agriculture has not hesitated to Propose revoking the organic certification of producers who were found to be in violation of the Program, regardless of size. In all cases, USDA's National Organic Program disagreed with the Colorado Department of Agriculture and upheld these certifications. In Colorado there is a concern that the USDA may be having difficulty achieving a "size-neutral" enforcement posture in regards to National Organic Program regulations. How do you, as Secretary, intend to address this concern?

Response: If confirmed, I will ask the NOP to work with all of our accredited certifying agents, including Colorado, to ensure that any statement issued by the NOP with respect to the regulations – whether related to enforcement, clarification of the regulations, procedures, or general information provided to the public – is consistent across end-users or recipients.

If confirmed, I would be pleased to brief you fully on the recent enforcement actions on the organic program in Colorado.

10-B. I understand that the NOP is a small, recently established program that is attempting to manage a rapidly growing organic sector that is valued at $20 billion/year. As Secretary would you be willing to look at NOP as a program that may require additional resources and further development in the coming year?

Response: I understand the importance of the National Organic Program and its development as the foundation for encouraging stable growth in this new industry. I will review their resources needs during the budget process to make every effort to ensure that USDA appropriately supports this critically important program.

11. As you are well aware, many individuals and organizations are concerned about the implementation of the National Animal Identification System (NAIS). It has been reported that USDA is providing states and organizations grants to support implementation of NAIS. Some states are using them to implement voluntary programs and maintaining all information gathered at the state level, while some states are using the funds for other purposes. Will you provide to the Committee a detailed report on these grants and identify the where in USDA's budget these funds are being derived from?

Response: I will be happy to provide the Committee with a report regarding the cooperative agreements the Animal and Plant Health Inspection Service (APHIS) has entered into with nonprofit organizations to advance premises registration under the voluntary National Animal Identification System. If confirmed, I look forward to reviewing such a report myself and would note that I believe these types of partnerships with the industry are critical to the progress and success of USDA's voluntary animal identification program.

12. In 2007 the USDA investigated the price reporting process for non-fat dry milk (NFDM). Upon completing the 52-week review, the National Agricultural Statistics Service (NASS) discovered that errors in reporting had occurred in both non-fat dry milk and whey prices which resulted in a significant loss of income for dairy producers.

As Secretary, will you provide the Committee with a detailed report of the actions that USDA has taken to address these reporting errors?

Response: As I understand, a request for a detailed report is included in the Farm Bill. I will work with USDA officials to provide the information that is requested.

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