

**KEY ISSUES FACING AGRICULTURE**  
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**Washington, DC**

This is my first speech of the New Year and it's good to be with the cotton industry at what is an historical time for the nation.

This distinguished conference, representing the strength of American agriculture, is a chance to lay out more than the issues facing the industry. It's an opportunity to rethink and recast your partnership with the American people.

As Ken said, this audience represents the great diversity of a key industry – from agribusiness, to science, to academia, to government. It is precisely this diversity, making up the vital infrastructure of American agriculture, that gives this country the tremendous strength we enjoy.

(9-11 story interjected) I tell that story not for what it means to me, but because we must remember for if we fail to do so, it will happen again and again. Clearly 9/11 put us on notice not only that we are at war, but that this is a different kind of war, a truly unconventional war...with an elusive enemy, with no rules, no boundaries and no time frame.

Because we regard threats to the nation's food and fiber supply system as real ... and because the economic consequences would directly impact national security. Agriculture is key to the nation's infrastructure and therefore to Homeland Security.

President Bush said this: "From the morning of September 11<sup>th</sup>, 2001, to this hour, America has been (engaged in) an unprecedented effort to defend our freedom and security. We're fighting against terror with all our resources, and we're determined to win."

Now, what does this mean for us? It means the most important thing we can do to negate terrorism is to preempt it ... and everyone, at every step in the farm-to-table continuum, is responsible.

Everyone in agriculture is our first line of defense when it comes to the bio-security of our farms, our processing plants, our labs and research facilities...every piece of our production system.

Secretary Veneman and I are working closely with Secretary-Designate Tom Ridge of the new Department of Homeland Security. We met with him the day after he was sworn into the White House Office of Homeland Security in late 2001—and what I learned is—he understands.

As a Governor of an ag state he comprehends the threat to American agriculture and he knows that homeland security must have a benefit beyond just thwarting terrorism otherwise the cost is never recovered.

The things we'll do in homeland security is not only to protect against terrorists –it will be good business as well—tracking shipments...improving the safety of our processing systems ...protecting our agricultural production inputs.

We're preparing on many fronts ... investing in early detection technologies ...staging simulation exercises ... reaching into every county in the nation ... to develop "first responder" capability...to guide farmers and ranchers in securing their operations ... and to strengthen preparedness in ways ranging from fertilizer and chemical storage to disaster reporting.

But I can't overstate that this is not a federal strategy. It's a national strategy. The front line is at the local and state level.

The important point though would be that as a nation...we're fully capable of comprehending this threat and the vigilance it demands.

This is the challenge the President wrestles with every day...it is the top priority of the President because it must be. And what the President asks us to understand is all related to the small sacrifices that must be made to maintain the broader freedoms that we cherish...and a way of life that we must preserve. And I say must, not want, because we, the United States, are the leaders of the free world and without our leadership, as history has revealed over and over again, the despots of the world will have their way.

That's what's at stake as we enter a new year...the President wants, needs, and for my part, deserves your support. So I would appeal to you, please help all Americans by offering him your patience and resolve to rid the world of this threat...because literally the world depends on it.

As we enlist your help in the war on terrorism, we have the responsibility at the Department to move forward on many other fronts to address the many ongoing needs and concerns of agriculture and specifically today the cotton industry.

We are here to listen about what we can do to help you. These are extraordinary times and this I know—the American farmer is under continuing and intense pressure.

Even when new technologies for better production, such as Bt cotton, originate here in the U.S.....our free enterprise system makes them available within a few years to farmers everywhere.

The result is we now have a condensed time frame of competitive advantage as American farmers from technology. So we're compelled to increase yield and efficiency and to maximize fiber quality, just to keep from falling behind.

But the challenge is deeper yet...the farmer's number one customer—the American textile mill – is under severe pressure of its own from a strong dollar, low-cost labor and improving technology overseas.

For the first time last year, the U.S. exported more raw cotton than we used here at home—an indicator of the loss of domestic milling. Fortunately, world cotton consumption is growing, expected to be a record high 96 million bales this year. But we still have too much cotton worldwide. Our own stocks to use ratio still remains above 40%. But what to do?

I still read the farm magazine articles and they frequently ask the question “can we compete?”—that's the wrong question. The one we want to answer is—How do we compete? As I listen to your leadership, this is what I hear.

The industry needs a strong research and development program, which you have already developed to advance the position of cotton in the marketplace. And for government's part, our role is to equip industry with every possible tool -- through legislation and funding, and through research, science and trade -- to develop and market products scientifically and competitively.

Here are some things that seem obvious to pursue. First, it's been suggested that perhaps one reason for this leveling off of yields may be the narrow genetic base of current commercial varieties. This means we need new genes for yield, disease resistance, and fiber quality in the base genotype even over and above what genetic engineering can add. In the past few years, our Agricultural Research Service has almost doubled the number of geneticists dedicated to this issue. And we're looking forward to research partnerships with Cotton Incorporated and land grant universities that will produce another major cycle of productivity increases.

Second, it was, in fact the outstanding USDA-private sector research partnership over the last 20 years that resulted in the High Volume Instrumentation classing system. That system has shown the superiority of U.S. cotton and added to its price on the world market with cotton fiber quality now more important than ever, the question is: can this be improved even more? We're now building on the system to add short fiber tests that meet international standards for accuracy and precision that provide a valid measure of intrinsic value, so a free and fair marketplace will reward our farmers with a price that truly reflects the high quality of their product.

Third point ... your industry operates in a highly competitive marketplace that's often unfair due to non-tariff trade barriers. And this is where USDA partners must really step up with trade policies and research and development capabilities that counter these strong forces.

When China announced new standards on short fiber last summer, USDA formed emergency task groups that delivered on their promise to have scientific data in hand by last week -- December 31. Buy though we play a major “government to government” role, we can't and didn't do this alone. With cooperation by Cotton Incorporated, we documented evidence that the Chinese standards are unsuitable for use in international trade. This data, in part, will form the basis for future official actions on these non-tariff barriers.

All of this leads to the all-important issue of world trade...an issue that always will be of high importance to American agriculture if we are to maintain our current productive land base and the agricultural system. Nineteenth-century British historian Thomas Macaulay lived in a time when free trade was, as it is now, a *major* issue. He wrote, “Free trade, one of the *greatest* blessings which a government can confer on a people, is in almost every country *unpopular*.” More than a century later, not enough has changed.

There's no question – and cotton producers know this better than anyone – that our farmers need free trade, for without it, the downsizing would be catastrophic. As a farmer who produced corn and pork I know I would not have survived without trade.

Altogether we export about a quarter of all we produce – over half the cotton and wheat. These are tremendous achievements, but the challenge never ends—we must constantly keep growing markets by tearing down walls that keep our products out of other countries.

We continue our efforts to slash trade barriers globally through the WTO negotiations.

The joint proposal submitted by Secretary Veneman and U.S. Trade Representative Zoellick would ultimately eliminate the remaining barriers to agricultural trade – export subsidies, domestic supports, and market access barriers.

We're working with USTR to negotiate free trade agreements with Morocco, Australia, and the countries of Central America and Southern Africa. Negotiations with Singapore and Chile have been concluded, and we seek to expand hemispheric trade with the Free Trade Area of the Americas.

But we're currently concerned with Brazil's WTO challenge to U.S. cotton programs. I've been told we're still consulting informally with them on the issue, which isn't yet at the stage of a "formal" WTO complaint. We're working closely with the cotton industry to coordinate the U.S. response. The U.S. position is that our programs are in full compliance with all of our GATT and WTO obligations and we'll vigorously defend their legitimacy and legality.

We're also working closely with USTR to press China to live up to the commitments it made when it became the 143<sup>rd</sup> member of the WTO just over a year ago. At issue is their agreement to establish a tariff rate quota system for cotton and other commodities and they've failed to live up to that agreement. People make plans and investments based on agreements and we can't accept negligence in following them.

The bottom line is that we have many challenges in the trade arena and Secretary Veneman works daily to represent the interests of all of American agriculture to our trading partners around the world. But it is a challenge that never ends...and we at the Department can always use your counsel and advice. Call write or express ideas through your association, but let us know what more we can do to help.

I want to close with an area that frankly distresses me, not in terms of its need and usefulness but the challenge we're seeing. This year I witnessed a state of affairs I never thought I'd see. US food aid was turned down by some countries because of biotechnology.

I was in Johannesburg for the World summit on Sustainable development when we learned that Zimbabwe had rejected our grain to feed starving people.

Here are the facts:

Forty million people in Africa are at risk of starving to death. And we pledged over 500,000 tons of food aid to Africa to ameliorate that need... And yet some countries in southern Africa are allowing their people to starve rather than distribute the food aid we've provided.

Why? The simple word is fear. Fear that the corn is not safe to eat? No. But the fear that the European Community would cut off purchases from Africa to Europe because of potential "biotech" contamination.

Meanwhile, famine continues, and will continue until its underlying causes are remedied, which is, of course, food production that biotech could address. For the sake of generations to come—Africa should embrace biotechnology.

This is a major issue that is arriving at the flash point and we cannot let irrational public opposition in Europe prevent the rest of the world from accessing this technology particularly when their brand of biotech seems to be all right.

Maybe you saw the story. The Euro, the new European dollar, it turns out is made with GM cotton.

If there is any doubt about our position on this issue, listen carefully, we must hold firm in our position that biotechnology remains one of our best tools and brightest hopes for addressing numerous global concerns, including hunger, malnutrition, water scarcity and environmental degradation.

To take any other direction or hold any other position is irresponsible to the generation yet to arrive on this Mother Earth.

To foster global understanding of the role of agricultural science and technology, Secretary Veneman will host a ministerial-level conference next June in Sacramento... focusing on the needs of developing countries in adopting new technologies and

accessing those technologies through public-private partnerships. We expect Ministers from over 180 nations and organizations to attend.

Before I close I want to mention the Farm bill--In the seven months since President Bush signed the Farm Bill, it feels like we've put two years' worth of work into getting programs into the hands of America's farmers. We committed early on to have the program in place by October, to get payments flowing by October, and we did it -- thanks to a determined and tireless staff. We estimate USDA could pump about \$13 billion in payments into the farm economy during the last quarter of 2002 and the first quarter of 2003. and we wanted to live up to the commitment to get that accomplished for farmers.

But it's not just about commodity programs...this legislation puts forward a historical investment in conservation programs as Chief Knight mentioned. In short this farm bill is a real opportunity—we even have an energy title—but it's also highly complex and comprehensive.

Meeting the deadline meant developing many regulations, massive training programs, hundreds of outreach meetings with farmers nationwide, and a new website with user-friendly tools. Now it's your turn to participate. I urge you to get in there and sign up early for the program...because the sooner you contact your local official and start the process the better we can help you receive timely benefits and avoid a spring rush.

So we've got a full plate at USDA...homeland security...trade...research...farm bill implementation. We need your help in counsel, advice...some patience and most of all in resolve to make this country free and an economic model to the world. When we come up short in meeting your expectations because we do make mistakes, tell us. But when you do give us your ideas as well for finding the solution.

It's a system I trust because I trust you. American agriculture is the strongest and best agricultural system in the world. Let's keep it that way.