



TRANSCRIPT

United States Department of Agriculture • Office of Communications • 1400 Independence Avenue, SW
Washington, DC 20250-1300 • Voice: (202) 720-4623 • Email: oc.news@usda.gov • Web: <http://www.usda.gov>

Release No. 0093.08

Contact:
Office of Communications (202) 720-4623

TRANSCRIPT OF REMARKS BY SECRETARY OF AGRICULTURE ED SCHAFER TO THE NATIONAL INSTITUTE OF ANIMAL AGRICULTURE INDIANAPOLIS, INDIANA

April 1, 2008

SEC. ED SCHAFER: Thank you, Scott. Thank you very much. I appreciate the warm welcome today. Thank you for the invitation to be with you. And Scott, I know that back in the rodeo days and all the hard knocks and dusty landings in the cowboy days I'm sure made it a great transition into the National Institute of Animal Agriculture. And I'm very pleased that I'm here and I appreciate the invitation to be with you.

It's a great day in America, and certainly it's a great day here in Indiana, although it's a little cold and blustery though. The weather is going to be nicer in my home state of North Dakota, and the weather is going to be nicer from where I came this morning in Washington, D.C. But I don't know that moisture out there is kind of a good thing, and I know (unclear) strongly. So we've enjoyed the weather here on this cold and blustery day, the moisture it brings is certainly great for agriculture.

I just completed my first two months on the job, and it's been both a challenge and an honor to serve as United States Agriculture Secretary. As I transitioned into USDA, I am reminded often that when President Lincoln founded the USDA, he called it the 'People's Department' because it affects so many people in so many different ways. And it also in my opinion was called the People's Department because of the people who work there.

And as I have been becoming immersed in USDA, it's been a real thrill to me how greatly the people are committed to agriculture both to deliver the mission of USDA but also at this great time for agriculture when we have the highest commodity prices that anybody can remember, when we've got terrific net farm income, where our exports are as high as ever, as our farm debt ratio is as low as we've seen in a long, long time. Things are happening in agriculture, and it's exciting times.

So I love the department, and the range of diversity of its missions there really is extraordinary.

As with any transition, there are also some bumps along the way. The adjustments need to be made and a few things happen. I find now that I am surrounded by people. I'm from North Dakota, you know, wide open spaces, there aren't a whole lot of people out there, things are pretty free and easy, safest state in the nation. We've really had a

chance to move around a little bit, and we got to Washington, D.C. and I found I've been surrounded with people. Everybody's trying to help me out. We've got the press people, the security folks and ag experts and food safety people and everybody kinds us fits us into this little cocoon. I'm starting to feel that people working for the government kind of control my life these days. I feel like I'm becoming a ward of the state.

[Laughter]

But it is working out well. Certainly the adjustments to Washington, D.C. have been good.

There have been some other adjustments as well, I caused a bit of a stir when I was first there. I was a couple days into the job, and I was greeted with some sugar folks, some producers that had worked out an agreement between themselves, between Mexico and the United States. I made some comments that caused quite a stir around town.

It turned out they weren't quite in line with Administration policy, not a great way to start out in the job. But I had to remind myself, I'm not Ed Schafer, private citizen. I am working for somebody else now who lives at 1600 Pennsylvania Avenue.

When I was contemplating taking this job I had talked with the former secretary, Mike Johanns. We were governors together. And I was visiting with him about the job what it would be like and I asked him what the most difficult part of the job would be. He said, 'Well, for a governor the toughest thing is to realize that you have a boss.' So we do have a boss, and we're getting tuned into that policy, and things are going well with Pennsylvania Avenue.

When I arrived at USDA I was parachuted into, or probably more dive-bombed into the middle of some very contentious Farm Bill negotiations. The veterans of those negotiations, like Chuck Conner who has been through Farm Bill after Farm Bill after farm bill, say these are the toughest negotiations for farm policy really that anybody has ever seen. So that was kind of my entry into the USDA, to get involved in those kind of difficult situations trying to manage the negotiations between the Farm Bill, between the House and the Senate and the Administration. It's been really good.

But you know, also on my first day on the job I was presented with the video that was shot by the Humane Society that was showing the way cows were being treated at a meat packing plant in California. So I thought I was supposed to kind of get a honeymoon when you went into the new job. Here was my first day, all the stuff going on, and I'm kind of still waiting for the honeymoon.

But I can only describe what I saw on the video as shocking and disturbing. I think all of you who have seen it will agree that no one wants the animals treated in this manner. We responded at USDA with all of the investigatory and the administrative tools at our disposal. After gathering further information it was interesting the video we received were coded so we couldn't even read it. We had to get it decoded to get on the machines. But after we got the information and started to watch how the lab was being operated, we recommended to Hallmark/Westland that it carry out the largest meat recall ever undertaken in United States history, one that would reach back to cover the last two full years of its operation.

We took this action because we believe that the way business was being done at this plant was deplorable and difficult. But it really didn't pose a threat to human health. So we have some interesting dynamics there.

Had the case been one of human health risk, we would have recommended a Class I recall versus the Class II recall that we did. But because we had the interlocking safeguards in place, and downer cows is one element to those

interlocking safeguards, we knew that there was an extremely remote risk of a health issue here so that a Class II recall was put in place. But we acted because we thought what was happening at Hallmark/Westland amounted to flagrant violations of the rules.

You know, those rules are standards on how animals ought to be treated and how slaughter operations ought to be carried out. They are there for a good reason, to protect the integrity of the oversight system and to make sure that needless suffering of animals is not a part of the slaughter process.

So we take those rules very seriously at USDA, and I believe our actions sent some strong messages. You know, those rules and regulations are important, and for meat packers the message is clear: at USDA the rules matter, and we are going to enforce them. And our responsibility for food safety isn't always just public health issues; it is the overall operations. And we take that very seriously.

The requirement that cows be up and walking means they must be up and walking without inhumane treatment that forces them to their feet. And we just don't think that's appropriate. There is a message to livestock producers here as well: Don't wait until the last minute to send your animals to slaughter. Send your animals to market before they are on their 'last legs' while they can stand up to the rigors of the transportation, handling and processing at the facility.

And the message to moms was clear as well, that school lunches and the meals at home are going to be watched over by USDA, that we very strongly believe in our mission of providing for and caring for the food safety in this country. USDA has no more critical issue than enforcing the standards that maintain our consumer confidence and safety in our food supply.

To do that we just can't simply focus on where others have fallen short. We must look at ourselves as well, and an episode like this gives us the opportunity to look hard at how we have been doing things and how we can improve at USDA.

While we wait for the full results of the investigations that are underway, we already have taken a series of interim steps to make sure that our inspection system can be as effective as it possibly can be. These include being less predictable in how and when we do our inspections at the meat packing plants. We're rotating our inspectors differently and changing up the regular visits; because they are in the plant so they are the regular inspection people-of their work. We're making use of offsite video surveillance. We are prioritizing inspections based on objective criteria so we gather the most information on the plants that we believe humane handling violations are most likely to occur.

All these steps should help strengthen our system for assuring that the safety is there for our food supply. But to succeed in our mission of delivering safe and wholesome food to our consumers in both domestic and international fronts, we need more than good systems. We need good people in place as well.

USDA's Food Safety and Inspection Service is the largest employer of veterinarians in the United States, and we share the concerns that many of you have raised in recent years about the decline in vets choosing to practice with large animals. In recruiting veterinarians, USDA just like livestock producers in farm country, we have to compete with the attractions of a practice that are focused on companion animals. So we very much want to find the right mix of incentives to help persuade vets to choose careers in government service and in large animal private practice in years to come.

The federal government clearly has a role to play here, and we are continuing to work with Congress to implement the National Veterinary Medical Services Act that creates a loan repayment program at the federal level. But the final

solution to this challenge is going to take more than that. It's going to take experimentation at the state level and the active involvement of educators, industry leaders and organizations like yours, the NIAA, before we come up with a comprehensive set of approaches that really work.

So I'm encouraged to see more states taking action to address this problem and more approaches being tried. Your organization has been a steady supporter of USDA's efforts to involve producers and vets in this program and others like the National Animal Identification System. And you're going to hear a good deal about the NAIS from Bruce Knight who's going to be with you on Thursday. But I want you to know that USDA remains strongly committed to moving forward with the best program on a voluntary basis, letting all the players of the industry continue to help us create the best possible platform, one that will help us with animal certification and verification and disease monitoring and traceability as well.

But there is a strong message here that we need to gather the information and to put a system in place in the United States of America now. As we look at our good neighbors to the north in Canada, they've got well-done and good functioning animal ID system, and it's proved valuable to them many times. But that was borne out of crisis there, and I think it's important now in the U.S. that we must design and build our system before we are in a crisis that's responding to that. So I appreciate your active involvement in how we're going to put together this animal ID system.

Once we have a widely accepted system in place, we will not only have strengthened the safeguards for our domestic food supply, but we will have enhanced the appeal of American beef and pork and poultry and dairy products abroad. The market has been sending us a very clear message this year in that effort about how important exports are to the future of American agriculture. With record commodity prices and record farm income, as I mentioned these are good times in agriculture.

But the performance of our agriculture exports really stands out. Last month we upped our forecast for this year's exports to more than \$100 billion; and that's \$10 billion more than we were predicting just three months ago, and \$19 billion more than the record performance that we saw in 2007. And 2008 will be on line to be our fifth straight record year for agriculture exports.

These gains are not only coming from higher prices, but higher demand for our products around the world. Middle class consumers are emerging in economies elsewhere, and they are making their presence known. They are buying more of our high-valued exports, fresh and processed fruits and vegetables as well as pork and beef and poultry and dairy and grocery products.

We expect exports of beef and pork and poultry to reach \$18 billion this year, up \$2 billion over last year's record level. For American producers to take full advantage of these opportunities, they must be able to compete on a level playing field in foreign markets. One of the most important jobs at USDA is making sure that it's possible for them to do so.

And one of the best ways to resolve trade disputes is by bringing internationally accepted scientific standards to bear. Sound science can open doors, remove roadblocks, and pave the way for future growth in trade. The agreement that the United States and Canada reached last week with Mexico on the exporting of breeding cattle is an excellent example of what science can do for trade.

We now have harmonized standards for breeding cattle with our two largest trading partners in line with guidance from the World Organization of Animal Health. This agreement expands access to what has been traditionally the

largest and most important export market for our live cattle, but one that has been restricted here since 2003 because of concerns about BSE. And that is Mexico. This is an important step forward, and we trust that it will move us closer to the eventual elimination of all BSE-related restrictions on the export of U.S. beef and beef products to Mexico.

Along with science-based standards, free trade agreements are another powerful tool for bringing greater access to our animal and our horticultural products abroad. The history of the NAFTA agreements with Canada and Mexico provides ample evidence of how well they work in the agriculture arena. In the 14 years that the NAFTA agreements took effect, our agricultural exports to Canada and Mexico have more than doubled, climbing from a base of \$10 billion a year to more than \$25 billion. This year we expect them to top \$30 billion, and that's really remarkable growth.

NAFTA has created new opportunities for complementary trade on both sides of the border. Our producers have been sending more grain, oilseeds and meat to Mexico, while Mexico's producers have been sending more beer, fruit and vegetables north of the border to meet the demands of U.S. consumers.

Canada has also been buying more of our grains and more of our pork and beef and veal. But it has also increased its imports to us of our fresh and processed vegetables and fruits, snack foods and vegetable oils and nursery products. Our economists estimate that our agriculture exports to Canada and Mexico supported 268,000 jobs in the United States.

NAFTA has also created new jobs in Mexico and has helped to bring higher wages for workers there. The bottom line is that NAFTA has brought important gains for all three nations. Today Canada is the number one buyer of our agriculture products, and Mexico is number two.

Free trade agreements create a momentum for growth in trade, but also they create closer ties between nations that can take us in some very positive directions, and that's why we're urging Congress in the months ahead to approve the pending free trade agreements with Colombia, Korea and Panama. And now is the time for us to support the nations in South America, Colombia, that can have both a strategic alliance and ally arrangement with the United States as well as creating better lives for people on each side of our borders as we look at agriculture trade.

You know, the reason that this is kind of important is, if we look at those pending free trade agreements with Colombia and Korea and Panama, and we put that together with the agreement that was passed last December with Peru, those four countries alone create the opportunity for \$3 billion more of agriculture exports on an annual basis. So these are extremely important for us.

On that effort we're also continuing to work toward a multilateral agreement with the Doha Round of trade talks, and that has had some increased activity lately, and we're looking forward to hopefully completing that round of trade talks this year. It would give us then a multilateral opportunity in the agriculture arena with many countries around the world.

So I'll just kind of sum that all up by saying there isn't a whole lot of mystery about the building blocks for continued success in American animal agriculture. It's just a lot of hard work and effort in recognizing where we want to go and need to go, and I think that as we look at all the continued success as we're creating those building blocks for continued success in American agriculture, all of us are probably going to agree on most of the efforts.

The short list surely must include a strong effective domestic food safety system, a well-trained corps of veterinarians in both public and private practice, an effective animal ID system, and a consistent science-based

approach to trade standards within the framework of commitment to free trade.

Making sure all of them are realized and maintained is going to take all of us a lot of thinking, a lot of talking, a lot of working together. That's something that kind of comes naturally to us as Americans. It is the strength of our industry and really the strength of this nation.

I want to thank you for the opportunity to stop by today and say hi, and now I understand we have some questions and comments here. I'm glad to try to answer the questions that you may have. And if I go off on the wrong track, interrupt me, so I make sure I give you the proper information if I have it.

Scott, do you have some questions?

[Applause]

MODERATOR: While the cards are being selected, I think I'll start with a quick question for the Secretary. You mentioned the Westland/Hallmark issue and USDA action in suggesting the recall. What do you see as far as USDA's role in helping reassure domestic and international customers that our meat supply is very, very safe?

SEC. SCHAFER: Well, the question is on our minds every day at USDA now. I think what's interesting is when we first requested this action be taken by Hallmark a lot of press questions, a lot of reporters were saying, a lot of editorial words were saying this 'was going to hurt international trade.'

My sense is the fact that USDA took a strong stand, stronger than people probably would have imagined, tells our trading partners that we are very serious about the rules, that regulations do matter, that they are put in place for the broad arena of food safety and that violating one of them isn't a good deal. We made the notice obviously to the industry that we are, importantly, going to make sure that the oversight of the industry is going to be done strongly and swiftly and assuredly in this country.

But that's a message to our trading partners and people in the industry. We also have a message to the people of the United States of America, and as we are doing that we're gearing up our promotional activities to link with the Food Pyramid effort. I've been having school lunches with the kids and talking to them about food safety.

We're looking at public service efforts with food safety to assure the people of this country that our food is important, that we have abundant, low cost and a safe food supply and that we're going to make sure that we oversee this properly.

It's going to take some time to fix in this process, and we're going to have the results of the investigation, and there's going to be more headlines and things coming. But I'm pleased with our ability to oversee the efforts, from trading partners, from industry and importantly to extend the proper message to youth, kids, and moms of America about food safety.

MODERATOR: The next question then-I'm trying to sort the questions that are coming in in general areas. We can get as many answers as we can. Obviously there's questions on the National Animal ID System, but one that maybe sums it up. A couple of questions that are asked here: Do you realistically think Country of Origin labeling will be implemented by September 31, 2008, and will NIAA play any role?

SEC. SCHAFER: I do realistically think that COOL legislation will be implemented October 1st of this year if Congress doesn't - if it occurs. As you know they have been dabbling into fishing, and what I can tell you is some

people say, well, why bother with the rules and regulations and (unclear) and the timing. But USDA is preparing to implement the current COOL legislation on October 1. We can do so in some heated up and speeded up efforts in the rulemaking process, and we will also be able to issue some interim guidelines in the meanwhile. So if you go to throw in some changes in the new farm bill, we won't be in the position to implement.

Your organization I think plays an important role. You know, you're the ones that are out there overseeing, interacting, managing with the industry, and the role I think that you play is the important role. You know, you can't have COOL legislation without a proper animal ID system. One just leads to the other. And we need to hear both sides, but your efforts out there prodding along, pushing the industry, making sure people are signed up with the animal ID system as well as providing good input and oversight on the actual implementation of the COOL is very important.

MODERATOR: Another topic area that's having to do with food safety in the end, does USDA support finalization of the BSE feed rule promulgated by FDA and currently passing it on to Management and Budget?

SEC. SCHAFER: We do. The feed rule is important. The issue there is, as I've mentioned before, the FDA. But as it unfolds, as we looked at the feed rule and we think our feed rule in place now is good and sufficient, but as we interact on the international agreement-as we're assuring our trading partners that our feeds are safe and good, as we're pushing Korea and Japan to reinstitute full implementation of beef and beef products, as we're assuring China that the quality of our meat supply ... is just kind of getting behind what seems to be an international direction, that requirement is important for us.

And so while we think the measure may be more stringent than we need, we do think that we do support it that we have the proper standing in the (unclear).

MODERATOR: Next question. Concerns about research funding for animal agriculture at the federal level, budgets recently have declined in terms of real purchasing power. Would you comment on how we can address the challenges of continuing high quality basic research in the lines of budget and trade?

SEC. SCHAFER: The research budget is an interesting area, and we're dealing with limited resources. The President has set us on a course to balance the budget by 2012. That means we don't have all the resources we want, but at USDA we put a budget together that reflects not what we want but what we're going to be able to get out of the system at this point in time.

We don't think that it's appropriate to go back to taxpayers and say give us some more money and put us further in debt or raise your taxes or do whatever it needs. We think what we can live within our means. We presented a budget that's focused on priorities recognizing that we can't do everything.

One of the strength initiatives at USDA is research. And as we look at the priority change in the research, as we look at our needs of the system today, we're starting to put the dollars into research on a priority basis. And unfortunately we are willing to let some of those research dollars in the areas that we don't think are as critically important be channeled into these new areas.

So I think the issue is, number one, recognizing what the most important priorities are and then channeling the dollars to those priorities as we move forward.

MODERATOR: Very good. The question concerning the National Dairy Animal Well-being Initiative. Is there a way that the initiative, can funding be dealt with for the initiative with check off dollars? And how can the initiative

work with this funding now for this critical issue area from USDA? So the question, is there checkout dollar fund available for the Dairy Animal Well-being Initiative?

SEC. SCHAFER: This is the California initiative on the ballot?

MODERATOR: No, this would be for the dairy industry. Would anybody like to ask that question perhaps -?

SEC. SCHAFER: They need a mike out here.

QUESTION: The Dairy Farmers of America of the United States are leading an industry concerned with animal well-being initiative called the National Dairy Animal Well-Being Initiative and it's a nationwide effort through dairy producers, funded by dairy producers. One of the things that we're trying to do is access check-off dollars across the United States, and we've been told they are not available to us. And my question then, can we get funding through these check-off dollars? In my group, I'm a dairy producer, and if I cannot operate because of animal well-being issues, those check-off dollars aren't going to matter one way or the other. And so my question, can we access those check-off dollars? And if not, are there other ways that we can access funding for this critical issue through USDA? We have 60 in the group representing the dairy industry, and we need the dollars. So the other side of the issue tends to be very well-funded, and we think dairy producers don't know how to do this, and we're trying to learn, and we need funding.

SEC. SCHAFER: I have to say the answer to your question is, I don't know.

QUESTION: Well, who do I talk to about that?

SEC. SCHAFER: Well, Big Brother is watching, and we have your comments, and we will make sure-I want to go back and get caught up on the issue and find out why you've been told you can't get the check-off dollars, see if there's some issue there that we can break the barrier on and try and get a - and I agree it's way tilted as far as one side of this debate versus the other, as far as the dollars and donations together in the public relations that are given on both sides. So I'm sympathetic to what you're talking about. I need to go find out how and why and where. And we're glad to do that, and I'm pretty sure we'll get the information and we'll let you know.

MODERATOR: I think that's all the time we have questions for. Again, all the questions that came forward, I tried to sort them out. We got major themes answered. We will provide them to the secretary's staff. So note what questions are on the mike so that-perhaps at a later date? Again, thank you for being with us today.

[Applause]

#