

***Agriculture Subcommittee Ranking Member Rep. Sam Farr***

*June 6th, 2012*

"The allocation for our subcommittee bill as passed today in Full Committee is \$19.405 billion. This is \$1.7 billion or 8% below the 2013 President's request; or \$365 million or 1.8% below 2012 enacted.

"These numbers may sound like a repeat of last year, Mr. Chairman. I do not envy the position you are in to have to continue making these drastic cuts that will affect the very heart of farm country and I do appreciate the effort made to invest our very limited resources wisely and cost effectively. I also appreciate the effort you have made to keep our side of the aisle informed. So I was prepared to consider a lean bill, today.

"In tough budget times everyone has to tighten their belts. We all know that. But this bill goes well beyond lean in two areas in particular: International Food Aid and the CFTC. I think there comes a point in budget exercises when you starve the program too much, it can no longer function.

"I fear that's where this bill is going.

"The \$25 million cut to the CFTC will have drastic effects on the American economy and will harm the American taxpayer. 4 years ago, our financial system failed. Over 8 million jobs evaporated. Millions lost their homes.

"Unregulated swaps played a critical role in the 2008 financial meltdown – for instance, the near-failure of AIG was triggered by its substantial swap business. Dodd-Frank got to the root of the problem by charging the CFTC with swap market oversight.

"This oversight is essential for our markets to be transparent, open, and competitive. And to prevent the 2008 financial crisis from happening again. Dodd-Frank expanded CFTC's oversight 8-fold from the \$37 trillion futures market to the over-the-counter swaps market -- a global market of over \$400 trillion in notional value.

"So just when the CFTC needs to scale up, they're being slapped with deep cuts that strangle their ability to safeguard against another financial collapse.

"And we're not asking for a lot here: The President's request was \$308 million. If my math is right, that's less than 7 ten-thousandths of the \$400 trillion swaps market (0.0007). That \$308 million for a year of oversight amounts to about 40 minutes of trading.

"So, what this 41% cut from the President's request says to me is that we can't even fund 40 minutes of oversight out of roughly 1,638 hours of trading in a year. And that's just in the US alone. But let's not forget this is an international swaps market.

"Make no mistake about it: we need this funding now, because we vitally need oversight now. JPMorgan's recent \$2 billion trading loss is proof positive that more oversight is called for in our financial markets. And who's investigating JPMorgan's enormous financial loss? The CFTC!

"Market participants depend on the credibility and transparency of well-regulated markets. Without sufficient funding, the CFTC can't police these markets, leaving the system and investors at serious risk.

"Lastly, the issue of swaps and derivatives has nothing to do with agriculture and everything to do with Wall Street. At the very least we ought to make the CFTC whole so it can do what it was designed to do: provide a regulatory framework for these complicated financial instruments and stop pretending like they have anything to do with farming.

"The United States is the greatest agricultural producer in the world. We produce more and we produce it more efficiently than any other country. But this bill will undermine the very resources that support our agricultural supremacy and with food aid assistance we have an opportunity to

have a positive impact on several countries that are in political, economical, and environmental strife. Cutting food aid now only increases the need to increase spending on more costly efforts later.

"While I am appreciative of the effort the Chairman makes on Domestic food assistance I am very concerned about the deep, dangerous 22% cut to Food for Peace. PL 480 literally saves millions of lives every year. Real people and real lives.

"In the last 50 years, PL 480 has fought hunger and offered hope to some 3 billion people in 150 countries. But this program also supports about 44,000 US jobs. That is 44,000 Americans working in farming, process, and shipping, according to industry analysts. So, this \$316 million funding cut hurts not just food insecure regions, but also cuts American jobs.

"Successive crises in the Horn of Africa and the Sahel have left more than 18 million people in need of immediate food assistance. Yet the Subcommittee has slashed PL 480 by 22%. This means there will be no food for some 8.5 million women, children, and men. And, this is not supplemental food. This program is their only source of food.

"8.5 million. That's like cutting off food for the whole state of New Jersey. To be clear, we must focus on teaching people to fish. But how can people learn to fish, when they don't even have the energy or calories to stand up?

"PL 480 gets the right assistance to the right people at the right time. And it helps food recipients transform into food producers. This means communities can fish for themselves. And what better return on our investment could we ask for than decreased dependence on US food aid?

"PL 480 is also in the best interest of our national security. There's a reason it's called Food for Peace. And there is no better national security strategy than peace. Struggles to gain access to food can easily erupt in violence, instability, and health epidemics.

"Furthermore, if kids do not get enough food, they can not develop and reach their full

educational and earning potential. Countries' GDPs suffer when kids are malnourished. Providing the right nutrition to kids can increase a country's GDP by at least 2-3% a year!

"Take Yemen, for example: right now, 267,000 Yemeni kids are at risk of starvation. There's little hope of stabilizing Yemen unless food insecurity and its underlying causes are addressed.

And PL 480 helps to do just that. And a stabilized Yemen is in the best national security interests for the United States.

"I am also concerned that this bill guts funding for Local or Regional Procurement.

"A 2009 GAO study found that about 95% of World Food Program's LRP in Sub-Saharan Africa cost about 34% less and arrived nearly 100 days faster than US commodities shipped overseas. Now, in this time of fiscal austerity, we should be looking for innovative ways to get the most bang for our taxpayer buck. But rather than investing in this proven program, this bill strips all funding for it.

"America's historic leadership in food aid can't be compromised now, when the demand is so high. This is not the face of America we want to show the world.

"As a country, we are better than that. And I will continue to work to make our food assistance live up to our ideals.

"And finally, I would like to mention that the FDA oversees 80% of the nation's food supply, including foods from more than 300,000 facilities in 200 countries so I appreciate the bump up for the Food Safety Modernization Act implementation.

"However in total the Food and Drug Administration is funded at \$16 million under the 2012 level and \$31 million below the budget request. As you know in addition to overseeing most of our food supply it is responsible for the safety of drugs and medical devices many of which are

imported.

"I hope we will have a chance to revisit many of these public health and safety matters as we move through the process.

"Again, I thank the Chairman for his good-faith effort in crafting this bill given the allocation he had. I look forward to working with him as this bill moves through the legislative process."