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DEPARTMENT OF AGRICULTURE
HOUSE APPROPRIATIONS HEARING TESTIMONY
FEBRUARY 19, 2008**

Mr. Chairman and distinguished Members of the Committee, thank you for the opportunity to discuss the 2008-2009 Department of Agriculture budget. I appreciate the support and dedication this Committee has shown for Pennsylvania agriculture.

This is the sixth opportunity I have had to sit before you to discuss Governor Rendell's proposed budget. I am proud that each of those discussions has been centered around a fiscally responsible proposal that is focused on protecting Pennsylvania's consumers, directly improving the lives of working farm families and bolstering the Commonwealth's rural economy. The Governor shows his continued commitment to working farm families in his proposed budget that will allow us to keep the strong foundation agriculture has in Pennsylvania.

Governor Rendell's proposed 2008-09 budget will protect the economic progress Pennsylvania has made over the past five years and will ensure the continued expansion of crucial projects for the Commonwealth such as renewable energy, healthcare and infrastructure. The Governor's Economic Stimulus Package within the proposed budget will provide immediate relief for struggling working families, including numerous rural households through a one-time tax rebate of \$400. The faltering national economy and unresolved health care crisis make this rebate a necessity in our rural communities.

Since taking office, Governor Rendell has worked to ensure that Pennsylvania's agriculture industry would continue to function as a leading economic enterprise. Agriculture throughout the Commonwealth is an enterprise that by way of jobs and value-added opportunities stimulates our local economies. It has provided for our citizens and allowed us to export more than \$1.5 billion in agricultural products in 2007. The Governor's budget will enable us to deliver the same high quality services across the Commonwealth and to remain a national leader in agricultural economic development. This year, Pennsylvania's farm families will begin to garner property tax relief, including important farmstead exclusions. On average, Pennsylvania households and farmsteads will each receive \$185 in relief payments. An estimated 68,000 seniors will have school property taxes eliminated completely.

Similar to the economic stimulus program the Administration created in 2003 worked to revitalize and strengthen the Commonwealth's economy; Governor Rendell's proposed budget calls for immediate action to a short term stimulus program that will protect the progress that has been made economically. The proposed budget also seeks to solve Pennsylvania's long-standing infrastructure challenges by implementing a plan to rebuild

1,000 bridges by 2010-2011. These necessary improvements directly benefit Pennsylvania's farmers, who often have to re-route their feed and milk trucks due to inadequate bridges. Governor Rendell's proposed investment in our freight capacity will foster a shift that will enable farmers to focus on biofuels. Further protecting our investments, the proposed budget focuses on making flood-prone communities safer. There have been an alarming number of incidents where livestock and crop loss were incurred due to flooding in recent years. Pennsylvania farmers will welcome the initiative that protects their personal investments and livelihood.

Governor Rendell's savings from enhanced efficiency in state government has enabled the Administration to hold down the cost of government operation, which allows for investment in other critical areas of the Commonwealth. For the Department of Agriculture, these include our Energy Independence Strategy and Prescription for PA as well as the safety of our food supply, crop insurance funding, and regulatory mandates in a wide variety of consumer protection, health and safety areas.

Like other business owners, farmers are concerned about the rising costs of health care, energy and property taxes. The Governor's initiatives in these critical areas will help our farm operations increase their profitability and long term success. The emphasis on biofuels and other sources of renewable energy will support the agriculture industry and has the potential to become an important part of farmer income. This year, I look forward to the enactment of the Pennsylvania Energy Independence Strategy, which will permit the investment of \$850 (not all of the 850 going to ag) million in one of the most promising sectors of agriculture.

One of our goals is to produce at least 18 percent of all the clean renewable energy sold in the state by the year 2021. And we're going to do it. Working together, the Governor and Legislature passed the Advanced Energy Portfolio Standards legislation in 2004 which has set off a rush of economic activity in the production of renewable energy. Although this is a great success, we must do the same thing for our fuel consumption and reduce our dependence on foreign oil. Pennsylvania's agriculture community is relying on the General Assembly to pass the PennSecurity Fuels Initiative. This initiative requires that one billion gallons of *Pennsylvania-grown* biofuels, including ethanol, be produced and consumed in Pennsylvania by 2017. In the recently passed Federal Energy bill, there is a new requirement that a substantial percentage of that ethanol come from cellulosic material, such as switchgrass, wood chips, wood fiber and agricultural waste. Pennsylvania has these feedstocks for cellulosic ethanol in abundance, so Governor Rendell and I urge the General Assembly to follow Washington's lead. We know this is the future of ethanol production and a great opportunity our Commonwealth can not allow to pass by without our action. Pennsylvania can become to cellulosic ethanol what Iowa has been to corn-based ethanol.

Governor Rendell's proposed budget is a critical commitment to agriculture. It directs nearly \$263 million in state and federal funds to our department. On the other hand I am gravely concerned about the status of the proposed federal funding for agriculture. As you are aware, the federal government is presently attempting to pass the 2007 Farm Bill

by a March 2008 deadline. Reductions in spending at the federal level could have a significant impact on the Bureau of Animal Health, food and nutrition programs, as well as homeland security. Pennsylvania has a lot at stake in these negotiations. Not only will the outcome directly affect almost every citizen of the Commonwealth in some way, we also have the potential added benefit of leveraging our state investment in agriculture, nutrition, the environment, and rural development. With Congress finalizing work on the farm bill through conference committee over the next several weeks, the Governor directed me to visit Washington D.C. last week to participate in a series of meetings that have assured Pennsylvania's voice will be heard as the final bill is crafted.

Governor Rendell has demonstrated his commitment to crop insurance through a \$3 million appropriation in his proposed budget this year. We are recognized as a national leader when it comes to protecting farmers' interests through crop insurance. When those in production agriculture encounter difficult conditions, effective risk management tools like crop insurance help them return to profitability sooner. The Pennsylvania Department of Agriculture is the only state agriculture agency in the nation to develop and own a crop insurance product. As a result of Pennsylvania's Crop Insurance Assistance Program and development of new crop insurance products, Pennsylvania farmers are participating in crop insurance at ever-higher rates. In 2007, nearly 13,500 policies were written with nearly \$332 million in protection and 1,077,304 acres covered. To date, nearly \$50 million has been paid to farmers who experienced crop loss and damage as a result of this summer's past drought.

At Governor Rendell's direction, the Department of Agriculture invested in technology to improve the effectiveness and efficiency of restaurant inspections. In 2006, the department began using the Garrison Enterprises Digital Health System, which equipped inspectors with tablet computers and immediately relay inspection results to the state's database. By using the Garrison System, our inspectors are able to do their jobs more efficiently and accurately. For the first time, Pennsylvania consumers can access timely and complete inspection reports for restaurants in the state. To further his commitment to food safety, the Governor has proposed a \$375,000 increase for the Department's Bureau of Food Safety, allowing for the hire of six new restaurant inspectors. Overall, the Governor has proposed \$31.98 million for department operations and consumer protection – an 8% increase. We look forward to the passage of House Bill 1422, a necessary update to our food safety statute. I thank the members of the House for passing the bill and appreciate the consideration of it in the Senate so that we can get this legislation to Governor Rendell for his signature.

Under the Governor's direction, we created the Center for Farm Transitions. Through that program, we continue to assist farm families with information, referrals and consultations for plans that will secure and maintain farming's important role in Pennsylvania's economy. The Center is a pool of resources, consolidated by the Department, to assist farmers in planning for transition, whether it is to acquire a farm operation or to retire from one and pass it on to future generations. In 2007, the Center provided information to 323 separate farm families regarding farm transitions and assisted in writing 132 farm succession plans.

To help those who are nutritionally at-risk, the Governor has proposed \$18 million for the State Food Purchase Program which will help our most vulnerable by ensuring they have access to food. The Bureau of Food Distribution administers many other programs which help those in need. Last year, the Emergency Food Assistance Program distributed \$6.2 million of commodities to 235 recipient agencies including food banks and soup kitchens. The Farmers' Market Nutrition Program served 319,070 clients, issuing over \$6 million of coupons with a coupon redemption rate of 75%. Five other state agencies administer federal and state programs to assist those facing food insecurity: Department of Public Welfare (Food Stamps); Health (Women Infants and Children); Education (child nutrition programs); Aging (congregate meal programs); and DCED (Neighborhood Assistance Program).

Protecting Pennsylvania's livestock and poultry industries continues to be one of the Department of Agriculture's top priorities. Governor Rendell has demonstrated his support through a \$6.2 million commitment to the Animal Health Commission which supports our world-class Pennsylvania Animal Diagnostic Laboratory System (PADLS). During 2007, PADLS processed more than 300,000 tests of poultry, including live bird markets and farm investigations. It is this constant surveillance and diagnostic work that is the basis of protecting Pennsylvania against Avian Influenza and permitting our products to proceed to market.

Pennsylvania is enjoying the continued growth of our dairy industry, ranking as one of the top five dairy producing states in the country. Governor Rendell's Center for Dairy Excellence and the Dairy Task Force has played a significant role in this growth. The Task Force is working to analyze industry performance, establish growth plans and develop programs to stimulate the dairy economy. The Profit Team Program has expanded to more than 150 teams this year, with participating producers having achieved an average 25% increase in production due to the program. Project Grow Dairy 2012 is an aggressive strategic plan unveiled by the Task Force in December—aimed at programs and initiatives for a growing dairy industry well into the next decade.

The Department has supported efforts to deliver more than \$130 million in total economic development funds through programs such as the First Industries Fund. The innovative First Industries Fund benefits the Commonwealth's two leading industries, agriculture and tourism. Since 2005, 370 loans valued at \$75 million of state funding have helped leverage almost \$216 million of private sector investments. This unprecedented level of funding to support industry growth has benefited the dairy, hardwoods, equine, organic produce, and renewable agricultural energy industries.

PA Preferred membership has grown in excess of 561% annually, with more than 2,000 member companies enrolled, including supermarkets, farm markets, food processors and distributors. The program is starting to build brand recognition among Pennsylvania consumers along with the recognition that Pennsylvania products are quality products and that buying PA Preferred is an easy way to support our state economy. The Erie School

District became a PA Preferred licensee in September, 2007, the first school district in the Commonwealth to make this commitment.

The PA Farm Show Complex continues to grow and serve as an economic stimulus to the Commonwealth and the capital region. The \$3 million appropriated in this year's budget coupled with the new management team, marketing plan and solid base of new business will help the Complex host more visitors and events than ever.

Pennsylvania's forest products industry averages \$17 billion in annual sales, with an economic impact of \$25 billion to our Commonwealth. This is another sector that our Department oversees and directly impacts the economy of our state, particularly in rural areas. We continually work to establish trade relationships with nations around the world and work closely with the PA Department of Community and Economic Development to strengthen the Pennsylvania hardwoods industry.

The State Conservation Commission is working hard to assist our farmers in managing nutrients and protecting water quality. The proposed \$3.28 million for nutrient management will assist farmers to develop and implement nutrient management plans, establish best management practices, and support nutrient management plan reviews. The Commission launched the Resource Enhancement and Protection, or REAP, program in January. The REAP program will provide \$10 million in tax credits and support to implement conservation practices on farms. The Commission capped off 2007 by celebrating 10 years of environmental protection and rural road improvements through the Dirt and Gravel Roads program and providing more than \$35 million over the 10 years to local governments and county conservation districts.

Another notable accomplishment related to environmental quality is our Chemsweep Program, which received the Karl Mason Award for environmental excellence in leadership and partnership in removing 1.7 million pounds of pesticides from the environment for proper and safe disposal at no cost to the taxpayer. Additionally, the Pesticide Plastic Container Recycling Program reached the 1 million pound mark of recycled plastic containers made into plastic drain tile, pallets, and guide rail spacers.

At the direction of Governor Rendell, Pennsylvania has made great strides in protecting the health and safety of dogs in kennels. In 2007, the department developed and launched the PA DOGS computer program for more efficient capturing and recording of dog licensing and kennel inspection data, and allowed Pennsylvania to be the first state in the country to post complete kennel inspection records on the Web. The year 2007 also saw the first uses of various legal tools to improve kennel conditions, and as a result, citations went up 143 percent in Lancaster County, home of 11 percent of Pennsylvania's dog kennels. We look forward to introducing legislation in the near future to make important changes to Pennsylvania's Dog Law.

Pennsylvania leads the nation in the number of farms and acres permanently preserved. For 2007, we preserved 351 farms, the most ever in a single year. Our efforts are a clear statement about Pennsylvania's commitment to production agriculture, as demonstrated

with more than \$30 million committed for additional farmland preservation efforts in the 2008-09 proposed budget. To date, Pennsylvania has preserved nearly 3,500 farms covering close to 400,000 acres in 55 of the 67 counties. Through our educational efforts, counties have built upon the state program to grow their own programs. For 2008, counties are expected to put up nearly \$41 million of county money, which will mean another record year for farms and farmland preserved.

By raising the awareness of the importance of agriculture, the Ag Education initiative plays an important role in educating the public and assisting our teachers by mapping curriculum to State Education Standards. Over \$110,000 of Ag and Rural Youth Grant funds were disseminated across the Commonwealth in 2007, funding projects to increase the knowledge and awareness of agricultural and rural issues among youth in Pennsylvania. An average of 10,000 documents are downloaded monthly from the Marketplace for the Mind website during the academic year.

Pennsylvania Fairs – The 116 Pennsylvania fairs host millions of visitors every year. The proposed \$3.4 million in grants will help our fairs pay premiums and support our 4 H and FFA organizations. Blue Ribbon Passport, the state's Agritourism initiative, grew to include 114 destinations, including fairs, farm markets, wineries and farmstays. The Governor has proposed \$500,000 for Health Farm and Healthy Schools initiative, along with \$300,000 for the Agricultural Excellence line. These two new programs are aimed at increasing consumer awareness and support for agriculture, and boosting on farm profits which in turn creates local economic development and jobs.

With the Governor's 2008-2009 budget for Agriculture we can continue to build on the great work of the industry and our employees to leverage the investments that are being made by our local, state and federal partners. By telling the story of 58,000 farm families that produce nearly \$4.6 billion in agriculture products annually, we will carry on our long history of diversity and maintain our international reputation for leading the way and producing quality products. As always, I appreciate your interest in, and commitment to, agriculture. Thank you for the opportunity to speak with you again this year. I am happy to answer any questions you may have today and, of course, at any time in the future.