What We Know
What We Need to Know

about
Risk, Infrastructure,
and Industry Evolution

Peggy Caswell
The Goals of this Workshop

• Inventory current knowledge

• Highlight lessons learned to date

• Identify future possibilities and challenges

• Determine information needs for the future
Subjects We Hoped to Cover

- Risk management strategies, including contracting, at the farm & processor levels
- Ownership/business structure and financing issues
- Distributional impacts
- Infrastructure issues
- Development of the second-generation industry
Current Experience is Corn Ethanol

- How will what we have learned help us in the production of cellulosic ethanol?
- What will be likely changes in transportation and market structure?
- What will be needed changes in finance, insurance, and contracts?
- What will be tradeoffs between traditional agricultural production and dedicated energy crops?
What I learned

• The optimal energy portfolio will depend on criteria
  – Risk reduction
  – GHG emission reduction
  – Energy security
  – Rural development
  – Farm income support
What I learned

• Inventories will determine the impact of price changes – particularly for the poor.
• Investing in yield increases for all important crops will relieve some pressure in the food vs. fuel debate.
• Growing global demand for crude oil and livestock products will sustain high prices.
  – This is not what the public wants to hear.
What I learned

• “It is easier to make bad legislation than it is to make good legislation.”

• Policies designed to nurture an infant industry may impede the development of a mature industry.
  – “Failure to launch”
  – Policy design may need to include a credible policy termination strategy
What I learned

• There are policy & political uncertainties that exist with the implementation of EISA and the Farm Bill.
  – The election is between draft and final rules.
  – Even if both candidates support renewable energy, interpretation of language will be different – so who would invest now?
What I learned

• Rural communities differ in their ability to capture benefits of bioenergy production.
• Optimal plant location will depend on access to
  – Markets
  – Raw materials
  – Technology/Infrastructure
  – Capable people
  – Money/financing
What I learned

• Farm households more dependent on rural communities than rural communities are dependent on farming.

• Farmers don’t understand what business they are in.
  – New contract arrangements
  – Sale of production rights rather than cash crop.
Next Steps

• What data do we need to answer all the questions about risk, infrastructure, and industry evolution that we posed at this workshop?
  – Agricultural Resource Management Survey (ARMS) and the Agricultural Census can collect some farm-level data. Which data are most important?
  – How can we cooperatively create and share data?
Transition to a Bioeconomy Workshop

• Environmental & Rural Development Impacts

• October 15-16, 2008
• St. Louis, Missouri
Thank You

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