



TRANSCRIPT

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of
**Remarks by Agriculture Secretary Ann M. Veneman
to the USDA Conference on Agriculture as a Producer
and Consumer of Energy - Arlington, VA**

June 24, 2004

SEC. ANN M. VENEMAN: "Well, good morning, and thank you very much for that very kind introduction. And we very much appreciate the work that you do at USDA and especially the leadership role you've taken with regard to the energy initiatives we've had at USDA. And without your leadership in this area I don't think we would be in the position of strength that we are with regard to energy.

"We also greatly appreciate as has been indicated the partnership that we have with this conference and the Farm Foundation, and appreciate that Steve is here, Mary's here. I was member of the Farm Foundation Board of Directors and understand the very important role that they play in exploring public policy issues that impact the food and agricultural system. So we're extremely pleased to have that kind of partnership as we co-host this conference today.

"And I want to thank all of you who are here and participating. This is a terrific turnout for this conference, and it shows I think the importance of the issue. And we're very pleased that we have so many people that are willing to have the kind of discussion that we're having today.

"Keith Collins has done a very good job of laying out the objectives of this conference. At its core, this conference is about taking stock of the current state of agricultural energy production and consumption and capitalizing on future opportunities.

"There was an old joke in the Soviet Union that went something like this. 'The future is assured. It's just the past that keeps changing.'

[Laughter.]

"Of course, we all know that the opposite is true. Farming today is very dynamic, and any business must adjust to change in order to succeed. But sometimes the task of adapting can be difficult because the truth is, the future is coming a lot faster than it used to.

"Many of us are familiar with Moore's Law which states that the processing power of computers doubles ever 18 months or so. Today, it is also estimated that the sum total of human knowledge is doubling about every two years, and by the year 2020 that rate of doubling is expected to increase to about two and a half months.

"Few human endeavors have benefited more greatly from new technologies, practices and efficiencies than our food and agriculture systems. The Industrial Revolution and the Information Age have freed up workers from labor-intensive pursuits who can contribute to other areas of our economy. The result is fewer farmers on fewer acres producing more and doing it more efficiently in order to meet the needs of an exponentially growing population.

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"During Colonial times, about 97 percent of the U.S. population was engaged in production agriculture. In 2002 there were just a little over 2.1 million farms, with only about 1 percent of our citizens directly involved in agriculture.

"Currently, about 157,000 farms produce 72 percent of the food and fiber for our entire nation. Today the efficiency and productivity of American farmers and ranchers combined with favorable conditions at home and around the world have put the U.S. farm economy in a position of historic strength.

"I just want you to see the numbers to illustrate the strength of the farm economy today.

"Net cash farm income was a record high in 2003. Farmers' equity reached a record \$1.16 trillion last year. The President's tax cuts have contributed to an estimated \$4 billion last year and another \$4 billion in 2004 to farmer's bottom lines.

"The index of prices received by farmers for all farm products reached a record high in March and then another record high in April and another record high in May. These records are since we have been keeping these numbers since 1910.

"We now expect sales of farm products this year to top a record \$215 billion. And we are projecting a record of agricultural exports this year at \$61.5 billion.

"But the keys to success well into the future lie in continued innovation and in new markets, both in terms of international trade and new uses. Energy consumption poses both opportunities and pitfalls for farmers, while the future prospects of agriculture as an energy producer appear boundless.

On the demand side, average prices of diesel fuel are up about 20 percent over the same time last year, while the increase in the average price of regular-grade gasoline is closer to 30 percent. Price volatility in natural gas and liquid petroleum gases such as propane impacts farmers who rely heavily on heating, drying and irrigation, and affects the cost of other energy intensive inputs such as fertilizers and pesticides.

"Higher energy prices also affect the cost of production, although more indirectly, by driving up transportation costs. The energy crisis of the 1970s and early 1980s was a wake-up call for many Americans, and it led farmers to seek out additional efficiencies.

"Many producers converted to more energy-efficient diesel fuel, especially in heavier equipment. Farmers increasingly adopted energy-conservation tillage practices. But the ability of agricultural producers to mitigate against higher fuel prices is somewhat limited. Some may adopt alternative production strategies, upgrade their machinery or buy fuel when it is cheaper and store it in tanks to avoid seasonal price spikes.

"But increasingly farmers are producing for more of their own energy needs as well as for those of others across the country. Wind power is becoming a more attractive option as generation costs have decreased an estimated 80 percent in the past 20 years. USDA is supporting the development of methane digesters for the production of electricity.

"These systems are producing an environmentally friendly source of energy while diverting animal waste to productive uses. A news article just last month profiled a dairy farm in Marin County, California, that is saving \$6,000 a month in energy costs thanks to a digester that was partially funded by U.S. Department of Agriculture.

"Agricultural products that traditionally went only to uses as food or feed are now being converted into various forms of energy such as ethanol, biodiesel or biopower. USDA and this Administration are working hard to help our nation realize the fuller potential of these energy sources.

"USDA is conducting research on biodiesel aimed at lowering production costs, improving the properties of feed stocks used to produce biodiesel, and developing technologies to convert products to biodiesel.

"One success story we are working to build upon is ethanol, which provides environmental benefits as a clean-burning fuel and a replacement for MTBE, a fuel additive that has now been found to contaminate water.

"The Energy Bill that passed the House of Representatives but which is still held up in the Senate would promote many positive energy goals, including increased ethanol use. The legislation embodies a number of recommendations of the President's National Energy Policy Development Group on which I served as Dr. Collins has mentioned.

"Our Chief Economist's Office analyzed the bill and found that it would provide significant benefits to farmers, ranchers and rural communities. A Renewable Fuels Standard, setting minimum ethanol production at 5 billion gallons, could significantly increase the number of bushels of corn for ethanol production from nearly 1.3 billion bushels today to about 2 billion by the year 2012. This would provide a boost to corn and sorghum prices by 10 to perhaps 30 cents per bushel.

"It would also have spillover effects to other crop prices as farmers shift acreage to corn and sorghum. The overall effect would be positive for net farm income by an estimated \$2 billion to \$4 billion by 2012.

"The phase-out of MTBE would create additional demand for ethanol. But even without an Energy Bill, ethanol production will increase, although at a slower rate. Corn use in ethanol production is expected to be up nearly 20 percent this year, and the phase-out of MTBE called for by 19 states will continue to expand that demand.

"The 2002 Farm Bill which includes the first-ever energy title provides us with additional tools to promote new uses. For example, USDA operates the Commodity Credit Corporation Bioenergy Program, which makes payments to processors to encourage increased demand for commodities for biofuel production and to support expanded production capacity.

"We are also implementing a program to fund renewable energy systems and energy-efficient improvements by farmers, ranchers and rural small businesses. Last year we funded 35 projects totaling \$7.4 million to support wind power; 30 projects totaling \$7 million for anaerobic digesters; six projects totaling \$1.1 million for solar energy; and 16 projects totaling \$3.9 million for direct combustion, fuel pellet systems, and combined ethanol plant and anaerobic digesters.

"We are making an additional \$22.8 million available under this program this year.

"We have also established a pilot project to support renewable energy production derived from cattle products such as the specified risk materials that are removed under actions we took in response to the single find of a BSE cow in this country.

"The Farm Bill also provides \$14 million in USDA funds for a Biomass Research and Development Program. An additional \$10 million has been allocated to the Department of Energy under this jointly run program.

"USDA is also implementing a Biobased Products Procurement Program which will apply across the entire federal government. This program will greatly expand the government's purchases and use of a broad range of biobased products. We expect that market to expand ever further as the EPA's regulations for sulfur content make biodiesel more attractive as an additive and lubricant.

"And as we continue to implement the new Conservation Security Program, we are working to include energy activities under CSP enhancement payments.

"As we have seen decade after decade, the energy security of the United States goes hand in hand with our national security. Terrorists attack energy supply lines in the Middle East with hopes of causing chaos in world markets and bringing harm to our economy. If there were ever a time that showed the pressing need to enhance our energy independence, then that time is now.

"We are at a critical time in the history of energy and agriculture. We are on the threshold of new conversion technologies for producing renewable bioenergy and bioproducts more efficiently.

"Renewable energy can help our nation deal with environmental issues ranging from tailpipe emissions to greenhouse gas emissions. It can help us deal with record-high energy prices and global security issues.

"But we have fundamental federal budget and legislative choices to make that will hasten or slow our progress on all of these fronts. We need the vision to make the right choices. That is why we thank all of you who are participating in this conference for sharing your knowledge.

"We believe the information presented and exchanged at this conference will help all of us, whether in government or the private sector, advance agriculture's key role in meeting the growing demand for clean, affordable, renewable sources of energy.

"While farmers and ranchers have always provided the fuel that keeps our bodies running strong, today we see limitless opportunities for agriculture to help power our nation as well.

"Thank you all very much. And thank you so for much for being a part of this conference."

[Applause.]

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