

Center for American Progress



RESOURCES FOR
GLOBAL GROWTH



**CONFERENCE PROCEEDINGS: RESOURCES FOR
GLOBAL GROWTH**

**“RESOURCES FOR GLOBAL GROWTH: LINKING
AGRICULTURE, ENERGY AND
TRADE FOR THE FUTURE”**

**MORNING KEYNOTE ADDRESS:
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SENATOR TOM DASCHLE: Thank you very much, John, for that kind introduction. Thank you for your warm reception. Good morning, everyone. We have a South Dakota scene outside so I feel very much at home this morning.

I am very gratified to be associated with the Center and with John in this effort. He has done just an outstanding job in the time that the Center has been created and existed and it's because he has the likes of people who are stellar in their fields like Gayle Smith. It's been a joy to work with Gayle as well, and I have enjoyed my time with the Center a great deal. I have always said on many occasions that the Center for American Progress is not a think tank; it's an action tank. And it has worked without fail week after week and month after month to put good ideas into action, and this is yet the latest demonstration of the commitment that John, the Center, and others are making to ensure that we have the opportunity to move these ideas forward, so I join him in welcoming all of you this morning.

I want to express my gratitude to the panelists who are going to be appearing throughout the day on the important issues that we'll be discussing. And I want to note a special thanks for my dear friend Tom Buis, somebody that I have had the good fortune to know and work with very closely on agricultural issues for a long, long time and I am very pleased that he is part of the panel and will be sharing his wisdom with us again this morning. I've been blessed with the friendships of some wonderful people over the years, but none more loyal or supportive than Tom Buis and I am very appreciative of his presence here today.

I also want to thank, in his absence, but I'll have more to say about this, this afternoon, Dick Lugar for being our luncheon speaker. I have worked with Dick very closely on a number of issues over the years, and I'm just delighted that he'll be part of our program as we consider what the agenda on these issues will be in Congress for the rest of this year and the rest of the Congress.

Not long after my last election, I was reminded of a story of someone else who suffered a similar fate in one of his elections: Winston Churchill, who lost, as you may recall, in 1945. And as he was poring over his coffee one morning, his wife Clementine said to him "Winston, just remember this: that this experience could be a blessing in disguise." He looked at her across his coffee and he said, "Well, if it is, it is very well disguised." (Laughter.) But at the moment I know the feeling. But I have to say, this new opportunity has given me a new perspective – an opportunity to see things in ways that you can't sometimes when you're involved in the intensity of the day-to-day efforts that are underway in the Congress.

And it's easier for me to see missed opportunities to bring people together to confront the shared challenges; and if ever there was a challenge for which we need all stakeholders to come together to develop a shared national consensus, it is this. It is in the negotiations for the WTO's Doha Round.

The consensus on trade in this country is shattering. Concern about economic development is growing. One case has been decided, as John noted, in the WTO and others are pending. Farmers in this country are struggling, as they always have, to acquire a fair price. And we're learning that up to 300 family farmers a month, even today, are going out of business. The struggle continues to have significant influence on people in rural America as they view trade and consider the negotiations in the Doha Round.

Yet, as the U.S. delegation prepares to travel to Hong Kong next week, I have a sinking feeling of a dramatic missed opportunity. Though these negotiators are going to sit down to discuss farm programs, American farmers have had precious little opportunity to raise their concerns and ideas with people within the administration. I understand there's a concept in Swahili, *bwogomoi*, that literally means "to put down your heart." The term could, it seems to me, easily apply to the way African farmers put their heart into the land they work. It is less poetic, but in South Dakota we could call the same concept "sweat equity."

Well, as trade talks continue, we are seeing more and more family farmers in this country and all over the world who are sweating more for dramatically less. Consider this: this fall there were farmers in this country who literally could not get into the field to harvest because they knew that the price they would get for their crop would not even pay for the diesel that they needed to run their tractors and combines over that ground.

Despite the sheer challenge of pouring their hearts into their land to get little in return, we are now told by the administration that the only option in Hong Kong is to pit American farmers against their colleagues in developing nations. A successful outcome in trade negotiations does not require that that be so.

Had the administration done five years ago what the Center is doing today, bringing together all stakeholders in this vitally important debate on trade, we might not face the challenge that we currently do. So I commend all of those responsible for bringing us together today for looking for a new way to make the global trading system work for producers in the United States as well as producers overseas.

Consider where we stand today on the eve of Hong Kong and in the run-up to the debate on the farm bill itself. We must recognize that we have an opportunity to effect several different policy goals including, but certainly not limited to, freeing America from dependence on foreign oil by increasing U.S. production of renewable energy sources, combating hunger and malnutrition around the globe, making trade policy more equitable, and assuring all independent farmers and ranchers worldwide an adequate income so that they can continue to produce the high quality food throughout the world.

The secret to success is finding a way to balance each of these goals in a manner that is beneficial to all rather than taking from some to the benefit of others. As one of

the architects in the existing farm bill, I believe that if done intelligently, we can accomplish these myriad goals.

First, we need strategies to reduce our dependence on foreign oil and decrease emission of carbon gases by encouraging domestic renewable energy production. At the same time, we need programs and policies that promote our common values, including, but not limited to, assuring that farmers around the world have the opportunity to a fair price for their crops so they're not dependent on government subsidies in the first place.

One idea is to begin to restore profitability for farmers and ranchers through the creation of a worldwide energy reserve, to stabilize prices in otherwise volatile grain and livestock markets. I'm absolutely certain that every producer in the Midwest, or for that matter in West Africa, would rather get his income from the marketplace than from any government program. But in the United States, to make the market work again we have to address excessive market concentration, overproduction, poor distribution, and other growing challenges that force farmers to rely upon the farm bill's income safety net.

I'm convinced we can do this, and more, while still providing independent producers who make up the backbone of our world communities a strong income safety net that will ensure that they will continue to make a living providing us with the safest food supply in the world – an income safety net that is not in conflict with our other goals in building a stronger international trading system.

But I have long been concerned about this administration's lack of support for the components of the net that benefits producers the most even though no conflict has to exist. Take, for example, the reconciliation bill that is before the Congress. It cuts both farm and conservation programs. The putative savings from these cuts will be spent many times over to fund additional tax giveaways for the wealthiest people in this country.

We learned from the grand failure of the 1996 farm bill that the core of any fiscally responsible agricultural policy is a countercyclical program that responds only when prices are low. In 2002, we passed a bill that provided true countercyclical support for healthy producers in periods of these low prices, and we included an 80 percent increase in the conservation spending, in addition to establishing the first ever energy title in the farm bill.

I'm particularly proud of this last provision, which helped to spur new demand for agricultural products, including \$200 million for a USDA bioenergy program that is incredibly important to the growth of small, community-sized ethanol plants and new, high-paying jobs all over this country. That law also included progress for its robust payment limits. I would have preferred clearer and fairer limits, but this was an important step.

Rather than building upon this success, the administration is continually trying to frustrate the progress we've made in hopes of going back to these failed policies. Even

worse, they justify this by suggesting that we must change our farm programs because the WTO tells us to. And the administration does all of this without providing a clear alternative for American farmers, while building deeper resentment towards the WTO and trade proposals generally.

There is also deep skepticism that Washington will protect world interests and those of small farmers and ranchers over the interests of powerful corporations. More often than not, just the opposite is true. More often than not, that skepticism is justified.

A clear alternative would focus on four principles. First, the core of the program should be a robust, marketing-loan program that treats all producers equally. Second, we should enact stricter payment limits to ensure that assistance actually goes to small producers. Third, we should decrease our reliance on trade distorting direct payments that artificially increase land values and make it more difficult for the next generation of producers to begin farming. Fourth, we should include a permanent national – a natural disaster program so when a weather related crop disaster occurs, help is certain and help is consistent, rather than subject to Washington's political whims.

Those principles ensure a safety net that would truly be countercyclical and trade sensitive. It would pay producers when the market fails, but not when prices are good. Going back to a system of direct, decoupled payments that are paid even when prices are good is impossible to justify. A real trade sensitive alternative for our farmers would also continue to push, in the farm bill that we began four years ago, to make rural America the answer the America's energy needs.

Americans understand the role of agriculture throughout American history. Farmers in many ways founded this country, and until today most of the best ideas have been formed by people coming from the rural parts of this great land.

Here's one idea whose time has come: rural Americans can be a key part of our national energy solution. Washington must use all the tools at this great country's disposal to make that happen now. A common misperception of U.S. farm policy is that it is the amount of money in the commodity title that producers care most about. Well, it isn't. If you ask any producer what he would like to see in a farm bill, he or she will tell you that they want a farm bill that gets them a fair price from the marketplace, not from a government check. And they merely want a farm bill that will provide adequate income insurance when prices are low. And these two things, today, are not mutually exclusive.

If we can craft complementary trade sensitive policies that will increase demand and at the same time spur development of new markets for agricultural production, we will keep prices above the income safety-net thresholds while being able to have an income insurance in place that truly protects producers in times of need. That's why I felt so strongly that we include the first ever energy title in the 2000 bill, and it's why I worked with Senator Lugar to introduce the concept of the renewable fuel standard in 2000. The RFS, which has now been enacted into law, will provide significant benefits to agricultural producers. It's been estimated that corn prices will actually increase by

fifty cents a bushel under RFS, and will raise farm income by more than \$1.3 billion annually, thereby decreasing the threshold and the truly countercyclical income safety-net needs that have been so much a part of previous efforts.

In addition, it is estimated the RFS will actually increase our employment across the country by more than 214,000 jobs. We will create \$5.3 billion in new investment in renewable fuel production capacity. These are impressive statistics by any measure, but more importantly they are real benefits for real Americans. We have an incredible opportunity to build upon this success in the next farm bill. Ethanol plants are built today at an incredible pace. Today there are 24 new plants under construction and several others that are now being expanded that will add more than 2 billion gallons of additional ethanol capacity, representing a 50 percent increase in our domestic ethanol supply. Given this rapid expansion, we need to seriously consider increasing the levels included today in the renewable fuel standard.

We should also establish a renewable energy grain reserve. Like the strategic petroleum reserve, this reserve would ensure sufficient feed stock in the event of a shortage due to natural disasters or other shortages. Beyond this, a renewable energy grain reserve would help keep market prices at acceptable levels for producers, thereby decreasing the overall cost of income and the income safety net that I discussed earlier.

Third, we could do other things to spur an increased demand for ethanol. While the RFS provides a baseline for ethanol demand, there are other things we can do to create additional demand through what John referenced: E85. E85 is a blend of 85 percent ethanol and 15 percent gasoline, as most of you know. It is designed for use in flexible fuel vehicles – so-called FFV's. With approximately five million flexible fuel vehicles on the road today, E85 has great potential as an alternative fuel. But because flexible fuel vehicles can run on both gasoline and E85, most owners are not aware that they're driving an FFV and are simply using gasoline today.

Industry research indicates that nearly 70 percent of flexible fuel vehicle owners are unaware they're actually driving one today. Increasing FFV production and E85 use represent the best near-term solution to significantly reducing our dependence on foreign oil, but today only 500 of the nearly 180,000 retail stations offer E85. In order for retailers to more widely adopt E85, station owners must have confidence that there will be sufficient consumer demand. FFV's represent approximately 2 percent of all vehicles. That's going up, but without a significant ramp up in production of FFV's, E85 use will remain relatively small.

We should take steps now to ensure that the entire new car fleet is FFV compliant within 10 years. Keep in mind this simple fact: today it costs automakers a mere \$50 dollars per engine to make existing engines fully FFV ready.

Fourth, we should establish a renewable biodiesel standard, similar to the renewable fuel standard, to foster development of biodiesel plants and to encourage further use of biodiesel across this country.

And fifth, we should enact a renewable portfolio standard mandating that a certain percentage of our electricity be generated from renewable resources such as wind, biomass, and solar.

Ethanol and biodiesels are not the only form of energy that can be produced by farmers and ranchers. Wind energy also holds great promise, and many rural areas across the country have wind in abundant supply. I can attest to that as someone coming from the fourth richest wind state in the country today. Like the RFS, the renewable portfolio standard will generate new demand for renewable and cleaner forms of electricity, and provide needed incentives for expansion of wind, solar, biomass, and electricity production.

Finally, we need to provide a federal commitment to increase transmission capacity for wind. We need a federal commitment to build transmission lines similar to the Roosevelt-era commitment to provide electricity to rural America we did so successfully in the 1930s. The issue is not capturing the wind, but transmitting the energy to where it is needed the most. We should use this farm bill as an opportunity to provide incentives for the creation of new transmission capacity to help jumpstart wind energy production all through rural America.

These investments in rural America have a huge potential payback for all Americans, but they also have a huge potential trade policy payback, a national economy payback, national security and economic development both home and abroad. Some analysts suggest that these kinds of investments in biodiesel today will result by 2050 in \$20 billion a year in fuel cost savings and an 80 percent reduction in transportation related emissions. And consumers do not have to wait until 2050 to see the positive impact; they can feel it today.

Last month in Sioux Falls, South Dakota, Don Endres, the CEO of VeraSun Ethanol, undertook what he called E85 Tuesday. He sold E85 for 85 cents less per gallon than every other mix of gasoline available. What better signal could there be that ethanol sets us free from foreign oil, and sets us free from higher prices all the while reducing the need for direct government subsidy?

That's why I hope the administration doesn't wait for the next farm bill to advance this agenda. The energy law just passed includes significant options for dramatic increases in investment in research and development of new biofuels. The president should use those tools in the next appropriations bill.

Consider the options in agriculture and trade policy for our country and for our friends through the developing world. If through increased research and development we can further perfect technology for biofuels, the same technology that will help set America free of dependence on oil from Saudi Arabia and Venezuela would help set our friends in Africa, in Latin American, and in Asia free from spending their hard won currency on the same imported oil.

During the last decade, a coalition that included Pope John Paul II and Bono dramatically increased funding for debt relief. I was proud to support that effort, but alarmed to learn that even while we reduced the debt burden in these countries, some are losing 5 percent of their GDP to pay today for imported oil.

The same technology that will reduce carbon emissions in this country will reduce carbon emissions and increase economic growth in countries throughout Africa, Latin America, and Asia. The same technology that will help create new and higher paying jobs in rural America will help create new and higher paying jobs through Africa, Latin America, and Asia.

It would be a huge missed opportunity if next year's budget includes funding for tax credits for R&D for oil companies at a time of record profits, but does not include the funds needed for R&D of biofuels authorized in the same new energy law. Given the challenges we face in rural America on trade, on energy, on climate, and on economic development, we can't afford any more missed opportunities.

Robert Kennedy once said, "The future is not a gift; the future is an achievement." To achieve the future we all want, we have to recognize that we can do better. To do better, we have to use the tools at our disposal, perfect the tools in the farm bill, and make the best possible use of the negotiations next week in Hong Kong.

I firmly believe that we can do so without taking the heart out of our country's agricultural policies that affect small, poor farmers in rural America or rural areas in any country around the world, but to do so we must think outside the box on energy, on conservation, on our humanitarian obligations around the globe, (or?) our farm and rural policy in which farmers, ranchers, rural residents, and the communities in which they live now rely. In short, we must think innovatively about a new direction. I hope our discussion today will not only enlighten, but will spur action – action that can move us forward and allow us to do better.

Thank you all very much.

(Applause.)