



**PANEL I: PARTNERSHIP FOR THE FUTURE: LINKING
AGRICULTURE, ENERGY, TRADE & DEVELOPMENT**

MODERATED BY:

GAYLE SMITH, SENIOR FELLOW, CENTER FOR AMERICAN
PROGRESS

PANELISTS:

KY AMOAKO, FORMER EXECUTIVE SECRETARY,
ECONOMIC COMMISSION FOR AFRICA, AND
COMMISSIONER, COMMISSION FOR AFRICA

TOM BUIS, VICE-PRESIDENT, NATIONAL FARMERS UNION

JASON CLAY, VICE-PRESIDENT, CENTER FOR CONSERVATION
INNOVATION, WORLD WILDLIFE FUND-U.S.

JOHN D. PODESTA, PRESIDENT AND CEO,
CENTER FOR AMERICAN PROGRESS

GAYLE SMITH: If you wouldn't mind taking your seats, we will be getting started. Thanks everyone. Again, I'm Gayle Smith, a senior fellow at the Center for American Progress and I'd like to begin by introducing our first panel this morning, moving from right to left across the stage.

To my right is a friend and colleague, K. Y. Amoako, who has just concluded two terms as the executive secretary or head of the Economic Commission for Africa where he led that continental research organization in a host of new initiatives to assess progress in governance in Africa, to develop subregional economic trading blocks, important labor response to long-term structural impacts of HIV and AIDS, and to figure out how to adapt new information technologies to Africa's development. K. Y. was at the lead in creating the Africa Trade Policy Center, which conducts research and training for African finance ministers engaged in troubled global trade negotiations, and also served on Prime Minister Tony Blair's Africa Commission, which recently shaped the discussions of the G-8 summit at Gleneagles last summer. I'm happy to say that early next year K. Y. will be announcing the creation of the new organization designed to help increase capital flows to Africa.

To his right is Jason Clay, who literally knows everything there is to know about every agricultural commodity. (Laughter.) This is true. Jason is an anthropologist by training. He has 20 years of very creative work with human rights and environmental NGOs on remarketing and trade in reinforced products. This is the man who brought us Rain Forest Crunch. He's also – that's true. He's also the author of a very important book on world agriculture and the environment. This is one of the finest resources available; again, for everything you ever wanted to know about every commodity out there, and I'm not plugging it just because Jason asked me to. He is currently the vice president for conservation and innovation at the World Wildlife Fund.

To his right is Tom Buis, who's vice president for government relations at the National Farmers Union and a leading advocate for family farmers. Tom has been very helpful to us and to me in particular in understanding the plight and potential of family farmers in America and what they have in common with farmers abroad. He served as the senior agricultural policy advisor to Senator Daschle, and before moving to Washington in 1987 was a full-time grain and livestock farmer in Indiana, so he knows what he's talking about.

Finally, many of you know John Podesta as Bill Clinton's former chief of staff and more recently as the CEO and president of the Center for American Progress. You may not know that John has dedicated much of his career to the issues we're discussing today. He had his career on Capitol Hill as chief counsel for the Senate Agricultural Committee, worked as a senior fellow at the Natural Resources Defense Council on climate change, serves on the steering committee of the Energy Future Coalition, and is on the board of the League of Conservation Voters. He is also, and importantly, my boss. (Laughter.)

With this panel, what we'd like to do is frame the issues for today and consider the real gains to be had for linking agriculture, energy and trade. And I would like to begin with the question to K. Y. As John noted in his remarks, the focus on global trade negotiations today on agriculture came to the fore primarily because of the actions taken by small farmers in West Africa, but from your perspective, having given your whole life to development in Africa, what is it that the poorest countries in the developing world really want to see out of the Doha agreement?

K. Y. AMOAKO: Well, I think I'll start off by saying that much of what is of our greatest concern is the impact that (inaudible) subsidies in Paris are having on our abilities to compete in the global economy. Therefore, it's very, very critical, as Senator Daschle and others have said, that at the meetings beginning next week in Hong Kong that we see progress on this issue – very critical. And as John also said, the impetus for change (inaudible) had over the concern of the (inaudible) Western Africa and the status quo is unacceptable.

Now, more broadly today, the poorest countries in the world are Africa and sub-Saharan Africa (inaudible). Poverty is not declining, the (most?) are living on less than one dollar a day. It's ludicrous. (Inaudible) that we have to confront with. Our share of world trade, (first of all?), is also declining and there's a real risk that Africa – or most countries in Africa (inaudible) in our present situation will create (inaudible) recipients of aid. Now, (inaudible) but for me the key issue that aid alone will not enable to allow us to transform our economies, and that's what we need the most.

If you take the average worker in Africa today, he or she is a poor farmer. Like I said, living on less than one dollar day. With primary commodity prices falling, net incomes are shrinking. If you add to that the whole issue of the cost of HIV/AIDS in the short and long run – the short and long run, the cost of infrastructure, and all these factors (inaudible) poverty – but there is a way out and its been clear in all the literature on the experience of the rest of the world that (inaudible) has a long way – a lot to do with getting people out of poverty.

The average (income in our?) country today relies on a few primary commodities and what we need most is to be able to get opportunities for trade to compete in our (inaudible) communities, to add value to our products, to access your markets, and to bring technology and innovations to bear. To do all these things and to get (success?) there's a lot we in Africa have to do for ourselves, and there's a lot we are doing already: improving governance, reducing corruption, (forming regional?) blocs for trade to increase our competitiveness and also to enhance the viability of our markets. But it seems to me that all these things are necessary but are not sufficient. To be sufficient we need our growing partners, it seems to me, to play their role by leveling the playing field.

Now, in Washington, (inaudible) Tom Friedman has convinced (inaudible) that the world is flat; that in the competitive global economy the world is being flattened. It's true, but when it comes to agriculture (inaudible) I don't think the world is flat. There are too many speed bumps in the way, so we need to do more on that. So the talks

(inaudible) in Doha is going to be important. In this instance, Senator Daschle, I thought – the message I heard very clearly is that basically farmers or small farmers around the world are the same. They don't want to be poor. They don't want to be dependent. They want markets to work for them, and therefore, if you ask them what (are our views?). We want the same thing as your small farmers do. The markets to work for us, to use the ability to exercise our rights to (be free?).

MS. SMITH: Thank you, K. Y.

Jason, if I can move to you, I think it's clear that one of the trends we're seeing in global agriculture is the impoverishment of some of the poorest countries in the world. But obviously, as you know better than anyone, there are a lot of other trends that we need to take into account, as noted before, and I wonder if you can just highlight a few of those for us.

JASON CLAY: Okay. Gayle and I first met in Ethiopia or near Ethiopia; I guess in Sudan. And in interviewing refugees, I heard an expression, which I think is very apt in this context, and an Oromo told me – and Oromo is a nation that lives in Ethiopia – told me that they have a saying that goes: you can't wake a person who's pretending to sleep. And I think there are some global trends among us that are well on their way that we need to be acknowledging. One is market concentration and market changes globally. Another is Brazil emerging as the agricultural superpower in the world and the third is biofuels, renewables, et cetera. And again, I think Brazil is preparing itself to be in a position on that.

There's half as many global agribusinesses today as there were 10 to 20 years ago. Globally, 3(00) to 500 buyers buy 80 percent of the commodities that are traded internationally. If you want to change agricultural commodity trade, you don't talk to a billion consumers; you talk to 300 or 500 buyers. That's where the power is.

The investments that are changing the world are not coming from NGOs. They're not coming from multilaterals like the World Bank or the FAO, which put \$10 to \$12 billion a year into developing countries. They're not coming from national governments like our own through USAID or the UK through DFID or any of the other bilateral agencies, which put about \$57 to \$60 billion in. They're coming from the private sector: \$240 billion a year. And they're also coming from China. China has put \$30 billion into Brazil, \$20 billion into Argentina, \$12 billion into Angola. This is just in the last couple of years. So these are the realities of the world we live in, and these are the realities of what's shaping the world we're going to live in. We need to keep those in mind.

Through all this, Brazil has emerged as an agriculture superpower. It is (the) number one or two exporter in seven leading commodities globally. In fact, this year (it) just took away the number one category of poultry exports from the U.S. It has four other crops that are very large and growing that are significant to U.S. farmers. Pork is number four globally, and cotton. It's currently the sixth largest producer and the fourth

largest exporter. Within ten years, all bets are that it will be the number two producer and the number one exporter.

Brazil has more land that has not been used for agriculture than the U.S. currently has in agricultural production, so that there's tremendous capacity to expand production in Brazil, and this is not going to be without environmental costs, but the capacity is there. It has soil, sun, and water. It has a year-round climate. It is positioned very well for the new technologies that can be produced from bioengineering. It has the largest ag(ricultural) surplus in the world and it has the largest share of world agricultural trade.

When was the last time that oil was priced \$11 a barrel? Less than three years ago. A lot of the interest in biofuels and renewables are based on an assumption that oil prices are going to be \$40, \$50, \$60, \$70 or – Goldman Sachs – even \$100 a barrel. It may happen, but there's going to be a lot of fluctuation, and for people investing hundreds of millions, even billions of dollars in refining technology for ethanol and others, it's those \$11 barrels that make you think twice. And so we need to really look at what are the costs of production.

Here I think Brazil is important. They produce ethanol at \$22 a barrel that's ready to go into your car. This is from sugar cane. When they produce that ethanol, they also leave more carbon in the soil than they take off. They also produce a gas which can be used to make renewal energy to sell on the grid, and you can two to three times as much energy to sell on the grid as they actually consume in making the sugar or the ethanol. This is the technology that exists today and this is essentially the advantage of the tropics in the renewables debate, so we need to be aware of that.

They have 182 sugar mills in Brazil; 172 of those produce ethanol from sugar cane. They have 90 more that are either under construction or they're doing environmental impact assessments to bring into production all of these that are going to be totally dedicated to ethanol production. They currently produce about a billion liters of ethanol a year, and their goal is 10 percent of the world's petroleum consumption on an annual basis. They have five million hectares in sugar cane and they're planning to go up to 35 million hectares, and that's where having that land availability makes a big difference.

I think that in our discussion we need to focus on two things, not just what is possible technically to do, but what is profitable to do and what is profitable within an open, global trade system.

Thank you.

MS. SMITH: Thank you, Jason.

Tom, I saw you shaking your head as – nodding your head as Jason was speaking, and I wonder if from your perspective as an advocate for family farms in the United States you could talk about what we need to do to make sure that they remain competitive

in a world that is obviously very different than the world just ten years ago but changing, as Jason suggests, very rapidly.

MR. TOM BUIS: Sure. Part of the reason I was nodding my head is last January Dave Fredrickson, the president of National Farmers Union, and myself, and a small delegation went to Brazil. We saw firsthand the American companies down there that do the processing, the American companies that provided the inputs, and American companies that provided the machinery, the American technology that our friends down in Brazil are using, but not paying for the same as American farmers. We also saw how they treated labor and the environment. And I think as we go down this global path, you have to look at trade policy that doesn't pit farmer against farmer, commodity against commodity, and truly try to level that playing field.

Current trade negotiations don't include, for example, environmental standards, labor standards, currency manipulation. And a lot of people ask why is that important to farmers. Well, it's important because it's the cost of doing business. Here in the United States, our society has deemed it important how we treat workers, how we protect the environment, and also we don't have the capability to manipulate currency. Those all makes us either competitive or uncompetitive. And with Brazil and some of the other developing countries with very developed agriculture, that's going to be a key component of whether or not we survive in the future.

I also want to point out, I think what Tom Daschle said was just absolutely on target: we need a price in the marketplace. Every farmer, whether we're here or throughout the world, has to have that price in the marketplace. People work hard, they invest their time, their labor, blood, sweat and tears, and they deserve a profit. We're not getting that now. And so when you start to debate a farm bill, everyone looks at the symptoms and not at the cause, and how do you address the cause. And I think what Tom Daschle proposed on the energy – put a heavier emphasis on the renewable energy fuels from the farm – can help us address the cause, and that's low prices.

I think what Clay mentioned about concentration is a very key component as well because if you only have a half dozen players throughout the world that control the flow of these commodities – and often don't compete in the same market – it's pretty safe to say they're not going to pay a profitable price to the producer. And the one area in our ag sector where we've seen a reversal of concentration has been in the production of renewable fuels, ethanol. In the last ten years, there used to be this one three-letter company that was the largest manufacturer of ethanol in the world. (Laughter.) Now the largest single entity is farmer-owned cooperatives. That's provided jobs in rural America. That money is reinvested in those rural communities, and it's provided a profitable price to the farmers.

My hat's off to Tom Daschle and Dick Luger for having the vision to continue to push that envelope on renewable fuels and renewable fuel standards because that's what's spurring that growth – growth for the farmers.

The other key components I think that always have to be considered in this farm bill – and a lot of people think it's these greedy farmers getting all the payments; it's not. The reason the farmers get – are getting the payment is because of the low prices, and there's nothing wrong with having a safety net that's truly countercyclical so if the marketplace fails – and we all want to see it succeed, but if it fails we have something in place. And one component of that, obviously, is a marketing loan program, but the second component is permanent disaster assistance.

If we all remember what happened in 2004: we had a major drought that had been going on for six or seven years in the Rocky Mountain states and the plains states. And the administration wasn't in favor of disaster assistance for those farmers who lost their crops because of lack of rain, but suddenly within three months of the reelection campaign in a state controlled by his brother who's the governor, we had four hurricanes. We had disaster assistance that year. We shouldn't have to count on the political climate to address the problems with severe weather climate.

MS. SMITH: Thank you, Tom.

John, there are a lot of people out there who question whether it's really viable to produce, as you suggested in your opening remarks, the bulk of our liquid fuels from agriculture. Many of them would say if we can do it, why haven't we done it yet? I wonder if you could talk about the real viability in terms of both policy and production.

JOHN PODESTA: Okay, Gayle. Thank you. I probably should follow the lead of my time in the senate and yield back my time to Jason. I have a hard time reading books that long, let alone writing them, but – so you – but let me make a few comments.

It seems to me that it is not only viable to move in this direction, it's absolutely necessary for the country. And I say that from the perspective of three dimensions: security, from the perspective of the environment, and from the perspective of the long-term economic health of the country. We import 21 million barrels of oil a day – I'm sorry. We consume 21 million barrels of oil a day; 13 million are imported. The percentage of that oil that is coming from the Middle East is going up, not down. It's cost us in one Oak Ridge Laboratory study about \$7 trillion in our overall economic growth – in GDP growth over the last 30 years to deal with the oil shocks that have been hard on the economy from the price going up and down.

As Jason said, I think one of the questions about viability is, in fact, the question of price. I actually sat in the White House in 1999 and worried about \$10-a-barrel oil, what were we going to do about, what our policy would be, how you would keep domestic producers online with – I think, actually the price went down to around \$11 at that point. So the price volatility has been a factor, I think, that has retarded the growth of alternatives, but I think now it is clear it is necessary and I think the public understands that, consumers understand that as they fill up their tanks or as the home heating oil season comes on board that is really critical that we get on a different path.

It's critical, I think, from a security perspective as well. I think that – I mentioned this in my opening remarks, but I think that the addiction to imported oil in particular distorts our foreign policy in a whole range of ways and prevents us from projecting our values as Americans around the rest of the world.

And then, finally, I think with respect to the environment and climate change, it – we absolutely need to take a different energy path and different movement towards a different energy future. When you think about the challenge that this country and the world face from global warming, that threat is real. The science is in. I was taken by Jason's comments about you can't make someone wake up who's pretending to be asleep. (Laughter.) I kind of thought of –

MS. SMITH: Been there.

MR. PODESTA: I kind of thought of our vice president. He – (laughter).

But nine out of the ten hottest years on record have been since 1995. The cost can be astronomical. We're seeing rising sea levels. We're seeing rising intensity of storms. And, quite frankly, as we think about the developing world, the brunt of the kind of physical, human, economic costs actually take place I think hardest – get hit hardest in some – in the areas of the developing world. Their capacity to adapt is quite frankly less than ours, and ours, as we've seen this year of course, is not that great to begin with.

Even the Pentagon, I think, now recognizes that climate change itself is a security challenge as we envision crop failures around the world, as we envision environmental refugees not 100 years from now, but 10, 15, 20 years from now. We have got to get onto a different energy path and I think that one of the places that – where we can do that with some real significance is in the area that we're talking about this conference and with a shift from fossil fuels to renewable biofuels.

Jason threw out statistics around Brazil, but those can be duplicated with a shift from – in technology. It's important, I think, to broaden the sources of biofuel feed stocks. There's been much talk and our packets talk about the shift from starch-based feed stocks to cellulosic ethanol and what that – that can be both important economically as we begin to bring the price down, but it's also important environmentally because I think that the CO₂ gains, if you will, the ability to back out oil imports in the – or fossil fuel imports in the production of that kind of fuel with the right new investments and right new technology are critical and also the fixation of CO₂, as Jason previously noted, I think is quite important.

I'll just add one fact to the Brazil story. Again, a recent study found that they saved \$43.5 billion between '75 and 2000 by shifting their energy usage from imported oil to the production of ethanol. And I think that's only through 2000. If you think about what it means to their economy when you do have oil prices at \$50 or \$60 a barrel, the gains are enormous economically, and I think actually duplicated around the world, particularly in fast growing developing countries which are adding to this climate change

burden as they develop and begin to bring on stream. I'm thinking about the Chinas and Indias and Brazils of the world bring on stream a lot of GDP growth. It just exacerbates the whole climate question, so if they develop along the same path that the United States and Europe developed over the course of the 19th and 20th century with – in terms of fossil fuel use per production of GDP, we're going to be just in a world of hurt with respect to the climate change challenge. We need to change the path there.

And I think that the tools that we're talking about today give us a real opportunity to do that. We've seen the start of that in the last energy bill. We talked more about the kind of tools that are necessary to bring on full-scale production of biofuels, which will help us economically revitalize rural America, in my opinion, but also deal with the security and climate challenges that the country and the world face.

MS. SMITH: I wonder, K. Y., if I can bring it back to you. There's been a number of assertions that some of the technologies you were talking about using here to produce biofuels from agriculture could be applied to the developing world, and you certainly know from your long-time experience in ECA that many times, although Africa produces a lot of oil, it's proven to be a bit of a curse.

And I wonder if from your perspective this kind of technology and development really would be viable for some of the poorer countries in the world.

MR. AMOAKO: Well, I think before I talk about viability, let me talk about the situation today and pick out some questions (that Daschle?) is saying about the cost of biofuels. I'm just (inaudible) African economies and therefore they need to find some alternative sources, but let me give you some facts.

As the senator said, (5 percent of GDP?) of some countries in that class (inaudible). And a tremendous (inaudible) have had this part of the market economies undermined in (inaudible). You know, many African countries have been through this (inaudible) with a lot of time in the context of the condition of Africa (work with?) others to assure that that need will come to many of these countries and after many, many years (with this approach?).

Secondly, now that we have it in place, the cost of (our imports?) is already offsetting our gains. Now we're waiting for (inaudible), so that's a key issue. And it's happening (inaudible) by this and then you go by this. Let me give you an example from my own country, Ghana. When the present government came to power in the year 2000, it came up with a vision for the country which I think was rather bold. Ghana has (inaudible) in 2000 was below \$400. So the president said, my ambition for Ghana is to ensure that by the year 2010 we'll more than double our (inaudible) income by (\$1,000?) a year.

A couple of weeks ago, the president was asked about his vision again since there were now (inaudible) the year (2018?) (inaudible) the year 2000 anymore, so he was (inaudible). So one of the main reasons because of our imports. That's how (inaudible).

So I think that's a real issue. Therefore, anything that will allow us to produce energy from agriculture will be extremely important. I know a lot of details that (inaudible) Ghana and also for Madagascar. But there are (many) huge challenges for us. Of course there is the technology itself, and then there's also the trade that goes with it, the investment and infrastructure that we are required to deploy it, and finally the investments (inaudible) that will be (environmentally stable, these investments inaudible). But if we cannot scale (down?), perhaps we can begin some pilot programs to see how this works.

Another reason why I think we need to move in this direction is also the point that (inaudible) climate change – it's a major issue for us – a major, major issue for us. In order for (inaudible), countries are getting more and more (drier?). And more recent, (inaudible) at one of your (meetings?) came out with a report where it predicted that sub-Saharan as well as Southern Africa will become drier and drier. So now that we're talking about getting (agriculture?) (inaudible) so we can compete more, the paradox is that the climate change, the impact on our ability to produce where exports (will be reduced?), so it is an issue that is important to us and probably what we can do (inaudible).

MS. SMITH: Jason, K. Y. made reference to making this sustainable and John's also mentioned that, and I'm wondering, given your background in both agriculture but also environmental work, if we move in this direction what do we need to put in place to make sure that the model is actually sustainable environmentally, whether it be in the United States or even in some of the world's poorest developing countries?

MR. CLAY: There's one issue that I think we just want – I want to underscore, which is that mostly what I will talk about is environmental sustainability, but I just want to talk a little bit about social sustainability – what some of the trade flows are now. The world is becoming dominated by south-to-south trade flows. There are products that used to be shipped to the U.S. or Europe for processing are now being shipped directly from Brazil to China, from Indonesia to China, from anywhere to China. And I think we need to also to think about that, but even in developing countries, manufacturers – these same multinational companies that are half as many as there were 20 years ago – are beginning to purchase much more locally. And they're doing this not because it's cheaper. They're doing it because it helps create markets for their products.

A Unilever in Indonesia is actually buying soybeans to make soy sauce in Indonesia from a study we just did from five and a half thousand farmers. They do that because that's five and a half families that have money to buy their products. If they bought those same soybeans – the same amount of soybeans in the United States, it would be three farmers. If they bought the same amount of soybeans in Brazil, it would be one farmer. And I think with the private sector increasingly trying to develop markets with the next billion and the next billion consumers after that – I mean, developed countries aren't buying more food. We may buy a niche market. We may buy novelty items. We may differentiate our food more, but we're not buying that much more food. Developing countries are, and they need to get into those markets, but they need to make

sure the people in those markets have money to buy the products they make. So that's one kind of sustainability trend that I think is going on that is very important.

Another – and this, I guess, is what you want me to talk about is really the environmental sustainability of it all – of agriculture as it's practiced on the planet today. More than half of all land that's habitable on the planet is used for either agriculture or ranching today, and that is increasing by .25 to .5 percent per year. Do the math. Within a short period of time, there's going to be no natural habitat left. Ninety percent of all the farmland – all the land that's farmed today has a net carbon loss. That means there's more soil erosion than there is soil being built up by the crops being grown. That's when you only target the grain or the specific fruit that you're taking off the field. If you start talking about biomass, and removing all the stalks and all the plants and all those things, the amount of carbon being lost is going to increase dramatically because that's currently what is rebuilding the soil. If it doesn't rebuild the soil, you're going to have to add inputs, and the energy costs for that are going to get really expensive.

So we need to look at those kinds of net carbon issues. There's been a lot of focus on the energy side of this. It's really the net carbon issue. It's not a net energy issue and it's not CO₂ in the atmosphere. It's the soil. With farming, it's all about the soil. If you don't manage that soil, you don't have farming in the future.

The Copernicus Institute in the Netherlands has just done a report and I don't think it's been put on their website yet, but it will be before the end of the week. It was just announced last week in a conference in Rio. And what they found was using a lot of that data on agricultural production that with the current amount of land in production, we can produce a diet of 2,200 calories per person for nine billion people on the planet, not adding anymore land to the mix. We can produce four times as much energy from the land as we currently use from unrenovable or nonrenovable sources – four times as much.

We can do this if we use already existing, proven technologies and better management practices. The problem is, most farmers around the world are not using better management practices, and so there's a huge gap there between what is possible and what is happening on the ground. Any discussion of renewables and biofuels that doesn't also talk about education, talk about innovation, talk about leapfrogging technologies to the next best systems is going to miss the mark. And it's all about continuous improvement. Today's better management practice is tomorrow's norm and the day after the one we're trying to get rid of because it's not good enough anymore, and we need to think about it that way.

Their work also shows that this happens mostly with perennials or tree crops and mostly in the tropics because they have a year-round competitive advantage. So those are, I think, some of the major environmental issues that I think we need to begin to look at. We know that farming marginal lands is where you get the biggest environmental impacts in a negative sense. Our research in a lot of different commodities in a lot of different countries has shown that virtually every producer on the planet can take 5 to 15

percent of their land out of production and produce more on what's left because they spend their time fighting nature on that 5 to 15 percent rather than increasing production on this productive land. If we're going to pursue this path, we need to make sure that this happens on the most productive land, rather than just expanding into the marginal land, because we're going to have real environmental impacts if that takes place.

Thank you.

MS. SMITH: See, this is the thing about Jason. In one answer he can talk about soy sauce, net carbon management, calories, biofuels and perennials and make it all make sense. I like that – made very good sense. All right.

Tom, bringing it back home, we've talked about a vision here, but I wonder if you can address, again from the perspective of the family farmer, what some of the other instruments and issues, policies, resources are that we could bring to bear that would really make this survival a future for the farmers that you represent.

MR. BUIS: Well, Gayle, I think you have to look at everything sort of as one big, broad package. You have to look at the trade conglomerate. You have to look at the domestic farm policy. You have to look at our budget priorities. You have to look at our energy needs. You have to look at addressing world hunger. And I don't know if this has been brought up here today, but 800 million people go to bed hungry every night. And we produce surpluses after surpluses in this country and in many other countries and the capacity to produce is there; maybe not the capacity or the will to distribute those products around the world, but I don't think you can just look at one single part and say this is going to be the answer.

We talked a lot about addressing the cause, not the symptoms, and farm bills tend to focus on the symptom – whatever is the hot issue at the moment, whether it's low prices, whether it's high prices, whether it's world trade driving – but we don't get back, again, to that overall problem and I think that's why this is a great – and my hat's off to the Center and to others for participating because that's the type of ideas we need to drive this next farm bill. Let's do it from a positive and let's try to get profitability out here. We'll see what every farmer wants: get that money from the marketplace, not the government, and make that true safety net.

The other point that strikes me is a lot of people seem to say American farmers are really making it tough for farmers in developing countries, yet if we go down this road that the administration has been proposing to eliminate farm subsidies, American-produced commodities are going to be cheaper, not more expensive. And so if people around the world think they have to compete against low-priced U.S. commodities today, wait until land values devalue, because you no longer have that safety net amortized in the land value, and then you're just going to see lower prices. So the whole process needs to be thought out very carefully. I commend you for putting this together.

MS. SMITH: Well, we obviously have needed and will continue to need you in this. You mentioned the farm bill, which among many of the issues that we're talking about here today is a politically charged issue, and I think the entire equation, if you will, that we're talking about has serious political ramifications. How do you make the changes we're talking about? What does that mean for domestic agricultural policy, for trade policy, for energy? None of these issues is without controversy.

And, John, I introduced you as someone with the great expertise in all these issues; you also have great expertise in politics, I believe, and I wonder if you could talk about whether it's really politically viable to do this.

MR. PODESTA: Well, I think you see a lot of movement today politically towards a future that we're describing. I think a lot has been done, but there's also a lot of – I think there's a lot of political energy, if you will – to make a pun – behind it. I'm sitting here wearing a "25 by '25" button, and that's a producer-led coalition that was spurred on by the energy future coalition – and I mentioned it to you earlier – of people who have really come together just to try to vision a domestic agriculture world where 25 percent of our energy needs as a country as a whole, not just in the (retail?) fuel sector, are provided through the world economy through agricultural resources. Some of that is wind, some of that is – much of it is in this transition to liquid fuels that are coming from biomass. You see other initiatives. Again, Dan Lashof is here from the NRDC. He's part of the Set America Free Coalition. I'm not sure if Dan and Frank Gaffney ever sat in a room together until fairly recently. You see other efforts of security hawks who have come together and said we've got to get on a different path to get the United States off of its oil addiction and take away this – the impact that has with respect, as I mentioned earlier, the distortion of our foreign policy.

You see a lot of new coalition – bipartisan coalitions forming in Congress. I think, look, frankly that's spurred on by the fact that gas prices like this summer, that oil went – you know, going over \$60 a barrel, but then home heating oil is going to be a crisis for many people in this country this winter. But you see, whether that sentiment is coming from concern about the long-term viability of our environment or it's coming from the near-term price shock of the rising in oil price, I think you see a lot of will and you see a lot of public sentiment for a different future.

I think the public sort of gets this. They know that if government policy could get – can align itself with where the market could go, if we could do the kinds of things as Senator Daschle mentioned this morning – require that all vehicles be fitted for E85 in ten years, take the kinds of steps that are at least authorized in the energy bill that passed this summer, but we await to see whether there'll be money appropriated for things like new investment in production facilities. They – I think the public gets that with American ingenuity, American know-how, there's a lot of future potential both in rural America, but for jobs across the country in this new energy future, so I think that the world is there to be grasped by, I think, the political leadership that wants to do it.

And as I said, I think whether it's Senator Lieberman and Brownback's effort to introduce more biofuels into the mix or you see Jack Kingston and Eliot Engel on the House side, you see that these coalitions forming of people that in many other areas hardly talk to each other, which is a different sort of lament that we have about where Congress stands today, but I won't go down that path. But I do think that this is an area where you can see some real progress.

I think it has come along with a few other things. One is – and again, I'm picking up some threads that were mentioned earlier. Senator Daschle mentioned a move to cut the funds for conservation. I think that's – and it reminded me as Jason was talking about where fragile lands are going worldwide, we also have to think about that. I think in respect to what is happening in the U.S. and I think it's a terrible mistake on priorities to start taking money out of those kinds of programs, out of conservation, out of R&D when in fact we need more of that. For people who are concerned about wildlife in this country I think that that's the kind of – that itself is an important motivating issue, and we need to let people be heard.

I think as we shift on this trade dimension, we need to manage those accounts, put it into more productive uses, try to move that money into a way in which we kind of vision the future by these investments in R&D to do, I think, what's most important here, which is to change the technology mix. And again, I'm underscoring something that Jason said, that we can't really get there. It isn't a viable strategy to just do more of what we're doing today. We've got to change the technology mix. We've got to invest in these new technologies.

The CO₂ budget that he raised looks a lot better once you've made the transition through the investment in biotechnology. You get the enzymes and the mix right to get into this new future through crop waste and cellulosic ethanol that begins to fix CO₂ in soil, rather than take it out. Those are all things that the government can do. They can support the right kind of policy initiatives to do it. It ought to come along with – again, the kind of safety-net questions that were discussed earlier this morning to make sure that we have a viable safety net for family farmers, which requires a mix of attention to payment (inaudible) that Senator Grassley, Senator Dorgan have focused on.

I want to just close, though, with one thought and that's to the question of social sustainability. I think we ought to also remember that when we think about development, we think about people who are poor in this world, the three billion people who live on \$2 a day or less, the billion plus who live on \$1 a day, those are the people who also lack access to modern energy and their economic development really requires the capacity to be able to access modern forms of energy. It isn't that they don't pay much for energy. When you spend four hours a day searching for firewood, sometimes risking your life to do so, as you know well, Gayle, in places like Darfur, or whether – where you're powering a light bulb with batteries, which you'll see in the poorest villages in the world, people are paying a lot for energy, but they don't have access to modern forms of energy.

In order to kind of tackle that problem, provide some hope for those people and to provide kind of new sources of energy, we're also going to have to clearly change the mix and the flow and the investment in this renewable world, so that's, I think, why the focus that has taken place now really at the UN level on trying to provide renewable energy for all people in the world without exacerbating or exponentially exacerbating it, I suppose – these environmental dangers and challenges – climate, the loss of land, et cetera, that Jason talked about – is really critical. And I think that the United States, in fact, and I think the – rather than be a lagger in this regard can really create new industries that can create a brighter future for people here, but also for people around the world who are desperately poor.

MS. SMITH: I think that's a good place to end the discussion up here and open it up to the audience.

In our view, this equation is, if you will, sort of win/win/win across the board and we can in some ways solve one problem and at the same time solve multiple others by addressing an energy crisis, investing in domestic agriculture, and thus freeing up markets in an important way in the developing world. And again, our view is that this is really the path forward to importantly change the terms of the debate, both about things like the farm bill here, but also in the Doha development round so that we really are talking about development and not undertaking what looks at present much more like a divorce settlement than actual trade negotiations.

With that – and I'm going to stand up here so that I don't have my back to anyone – we'd like to open it up to questions. We have a couple of people with microphones and if you would just let us know whether you are addressing your question to a particular panelist or to the whole panel. And please stand, if you will, and we'll get a microphone to you.

Yes?

Q: I'd like to address this question to the panel. How do we stop – in Maryland there's a lot of real estate developers ripping up the farmlands and they're breaking down all the farmlands for these housing developments. How do we stop that – from them selling off the land to real estate developers? How are we going to even have the farms?

MS. SMITH: Okay. Thanks. I'd like to take a few questions. Can you hear me? I'd like to take a few questions, if you will, and then we'll put them all up here together. Yes, please. Back here. Yes, I've got a bit of a glare and I don't want to put sunglasses on, so if you could raise your hand, I'll come to you next. But we've got one right back – yeah, Dan, go ahead.

Q: Dan Lashof, NRDC. The general proposition here that by expanding the market for farm products in the form of renewable energy we can create a source of farm income that reduces the need for subsidies and therefore ease the trade negotiation makes a lot of sense, but I'm wondering if the panel could address what that agreement – what

that actually would look like in the trade negotiations in a little bit more detail. How would that really work?

And the discussion also indicated that there are trade issues themselves that could be a part of this in the energy equation as well because – for example, the question of barriers to bringing ethanol from Brazil into the U.S. market and how would we address that if ethanol can be produced more cheaply from corn – from sugar cane in Brazil than it can be from corn in the U.S., that has the potential to create its own trade conflict. I'm wondering how we would address that as we try to move in this direction.

MS. SMITH: Thank you.

Q: Dave Michaels, with the (inaudible) Initiative. This question is for Jason. With the – I guess you made the point that the \$11 barrel of oil that is really turning off investors to refine ethanol – the investment that we require for that. Taking that into account, why do you think there's not more interest in diesel engine conversion and (straight?) vegetable oil as fuel?

MS. SMITH: Okay. We'll take one more.

Q: I'm Carolyn Brickey and I'm with Protected Harvest, and I guess I have two comments. One is that I think based on comments of all the panelists that we ought to think about whether there're four things people can all agree on if they think these facts are true before you start trying to put a package together and address each one of those things. The trend that Jason alluded to, I thought, were startling and probably not well thought through by those of us who were interested in working on farm policy.

The other thing I would say, and John also alluded to this, but I would come more directly at it is that if we're going to pose biofuels and other types of alternative energy sources as better for the environment, we'd better damn well make sure that it is better for the environment and better be able to prove it and show that it is.

MS. SMITH: Thank you. Let me open it up to the panelists. I'll let you self select on whether you know what to do about real estate developers, because I'm not sure I have the answers. But in some (inaudible) kind of interesting questions is what is really the shape of an agreement for a Doha round need to look like? How do we address the potential for other trade conflicts that may arise out of increased liquid fuels production, including the fact that it may be available cheaper elsewhere?

Jason, a particular question to you on the vegetable oil side and biodiesel. And I think, Tom, your points are really important and I think we can take at stab on that on the four facts on which we agree moving forward, but also importantly on the environmental sustainability.

And if I may come back down this way or you can self select. Do you want to start or – go ahead, Tom.

MR. BUIS: Well, first on Maryland houses (laughter) that's the most profitable farming there is is farming houses there, so we have to restore profitability. (Laughter.) There are some provisions in the farm bill – farmland protection provisions that have tried to create programs to help preserve those lands, but it's a huge problem. And it's even a bigger problem when that farmer sells his farm for a housing subdivision, takes all those thousands of dollars in profit and moves out into a more rural area and bids up the land prices and does it (inaudible) a lot of times (inaudible).

The trade agreement. If you're going to have a trade agreement that levels the playing field, it has to include all factors of trade; not just tariffs, not just duties, not just domestic subsidies and export subsidies, but it's got to include those other key factors: currency manipulation, labor environment, labor environment and health and safety standards. And this kind of leads into the other question about Brazil bringing ethanol into the country. We can compete with Brazil on any commodity they grow if they'll compete on the same level playing field on the environment, labor, and (currency?). The reason our sugar costs more in the United States is we don't pay our workers \$2 a day. We don't dump our refuse in the creek. And until that happens, all of the rest of the trade agreement – the negotiation (factors?) are window dressing.

It's not worked in the past. American agriculture is probably the classic example. We had a \$27 billion ag trade surplus in 1993 before we embarked on the free trade agenda. Today that's down to \$4 billion. It's very likely we're going to be a net importer. And it's not because we can't – don't have the capacity to produce. It's because we don't have the capacity to produce under a level playing field.

MS. SMITH: Jason? Thank you.

MR. CLAY: I think there is a lot of interest in biodiesel, as well as heating oil. I know in the EU there are actually subsidizing energy plants that are burning palm oil. They're subsidizing them to the point of, I think, 16 Euros per ton. Those are about to be phased out, but about 500,000 tons have been used. There – Europe has a target of 5.75 percent of all energy being renewable very soon and they're going to miss that. It's like 2010 – they're going to miss that deadline it looks like, so they're starting to get a little worried and using more of it. Virtually all of the canola grown in Europe and much of what's grown in Canada is going into biodiesel programs right now, and that has not (inaudible) with fish oil substitutes, which canola was one of the things to take pressure off of wild fisheries. All of these things have repercussions throughout the food chain and throughout the environment that produces those different commodities.

But I guess the real issue is that we don't seem to have right now with the technology and the plant species that we have good sources of biodiesel that are renewable. Palm oil is too low down the carbon chain, so it's much more solid. It doesn't burn well. Canola is an annual product that has to be done in one to three or one to four-year rotations, so it takes a huge amount of land to do this, and there's a lot of erosion and other kinds of inputs associated with it. So we need to be thoughtful about

this biotechnology. It may allow us to get there sooner, but so far the biotechnology has been more about selling Roundup than about other things. So if we can get off of that kick and onto some other traits and plans that we want, I think it would be very interesting.

Ethanol. Brazil has a quota for selling ethanol into the U.S. that was put into the CAFTA agreement. It also has unlimited access to U.S. markets for ethanol as long as 50 percent of the ethanol comes from central America, so Brazil is going to be selling ethanol to the U.S., there's no question. And it looks like very soon they're going to be selling ethanol to Europe as well. There's a pipeline being built – an ethanol pipeline from the sugar growing areas in Brazil to the coast to facilitate the transport of this.

I guess just two other comments on other issues. We need to be looking at new technology and not being kind of locked into the old ones. Senator Daschle talked about wind and I think wind has tremendous potential in some areas, but it costs a heck of a lot of money to build transmission lines, about \$1 million a mile for some of these larger transmission lines. That's a huge cost. Why don't we leap frog that? Why don't we convert that energy at the windmill into hydrogen and have hydrogen-powered vehicles go around and pick it up like on (a milk run?). I mean, there are other ways to think about generating energy, transporting energy, using energy. I don't know that that one would work, but if great minds get together, they can come up with something probably better than building antiquated or 50-year-old technology to evacuate power.

The other issue is I think we're really talking not so much in terms of global issues of poverty and small farmers. It's not about entitlements or not even really about income, but it's about assets and it's about opportunities, and that's we've got to focus on for the future. Most farmers want opportunities. They don't want a handout. They want an opportunity and anything that builds their assets – the soil, the renewable energy sources, et cetera – is going to be good for them.

MS. SMITH: John, do you have –

MR. BUIS: Well, just add on a couple points. Dennis (inaudible) told me yesterday that E85 in South Dakota was selling for \$1.57 a gallon. I mean, I think that the potential to come on market with new forms of these liquid fuels is very high. I somewhat agree with Tom and I somewhat disagree with Tom. I think where – or I think he overstates the case. I think that the – that global trade needs to begin to grasp these other human dimension questions. I mean, we can define our strategies towards doing that, including labor and environment. And I think that (inaudible) part of the fact that the end of the Clinton administration began to be able to grapple with that, at least at a (inaudible), level of the (inaudible), et cetera. But I think it could also overstate the case and kind of mask the fact that there will be lower cost producers on some commodities and the ability to have a system that essentially gives benefits to people who can produce at a low cost. K. Y. and Jason both raised the question of tropical production – you know, that there is some value in that. We just got to do – it harkens back to Carolyn's

point about let's get clear about what the real facts are and see if we can get agreement on the real facts. And I think if we do get agreement on the real facts we can make progress.

And I'm not – I think Carolyn deserves a response on the environmental benefit side. While I think there are environmental challenges in the shift, I think there's clearly environmental upsides if we get the policy right, and that's why it's so important, I think, again to support conservation, but to also support the research and development agenda for these new technologies which have tremendous environmental upside, I think, more than the current breed of technologies.

And I think with regard to Dan Lashof's question, the third panel of the day is really geared at trying to kind of marry this all and provide a vision where we go in the Doha round. I kind of want to circle back and maybe end with where I began, which is in finding something to criticize in the way that the Bush administration put forward its proposal in Doha. They did it without regard to what the future would hold for rural America. And I think that's politically naïve, and I think it's really – it's kind of unsustainable; that if there's going to be a path forward, it has to marry the interests and provide a vision for how family farmers here are going to succeed as well as farmers around the rest of the world. And it seems to me that that's the secret to kind of cutting the Gordian knot, I guess, of the Doha round. We had to provide a kind of viable future not just for the Brazils, and not even just for the farmers in West Africa, although I think it's our moral obligation to do so, but we have to do it with a perspective that says that family farmers in rural America here can succeed in that world as well in order to have the (pool of?) support to move forward.

MS. SMITH: K. Y., would you like to add anything?

MR. AMOAKO: I'll pick up on John's point and also the context of what he has set out to do about it. I think that might be (inaudible) in Doha, but for many of us in the northern countries of Africa, the issues about purchases and tariffs are fundamental. (Inaudible). It's not only a trade issue; it's an environmental issue. And that's why the perspective of this proposal is just very interesting, because (I said?) in the long run we can have a (inaudible) our countries more productive, more competitive. We need to (inaudible) because over the years one of the things (inaudible) investments in Africa in particular, the World Bank and the others (inaudible). And I think we need to go back to – so the extent of your proposal seems to me would allow us also not only to (pick up?) American (farmers' model?), but what you were describing earlier in your remarks about (inaudible) support investments in the (inaudible) in this country and we (inaudible) back to the table (inaudible).

MS. SMITH: Thank you, K. Y.

I would like to close this panel. Carolyn, I'm not sure I can get exactly the facts, but I think there's some sort of core principles that all the panelists have raised on which there is agreement. I wrote down in my notes; the first one is catch up with Brazil quickly. (Laughter.) But I think it's very evident from both Jason and K. Y.'s comments

that the agricultural environment we're dealing with globally is much, much different than the one even of five to 10 years ago, let alone 20 years ago, and that if we're going to move forward, we've got to take stock of what that environment is rather than hoping it will be like it was.

I think the second that we've heard repeatedly is that there is a need for a safety net, but that as important, if not more important than that, is making the markets work for family farmers here, but also importantly small farmers in the developing world; that that's the focus. I think as Jason and K. Y. have both stressed, farmers, like anyone else, don't want to be dependent. They want to have opportunities.

I think the third in this notion of a level playing field, K. Y. has talked about that from the perspective of the world's poorest countries who want to be able to assert their right to compete, and I think Tom has added the importance and obvious importance of labor and environmental standings. I think that's critically important. I would only add one small footnote to that, which is that for the poorest countries in the world there's also an issue of achieving the capacity to meet those standards, so I think in most cases there's the will. The means is much more difficult.

I think finally, and going back to what certainly started this whole discussion – this program for us at the Center is this notion of the Doha development round is that we need to think about development as a challenge at home and abroad, and how we make the investments that we need to make to allow development to take (inaudible) for rural America or for West Africa, and that that requires significant additional investments.

Significantly, I think John referred to redeploying some resources. As K. Y. suggests, all the (signs are reading?) that the developing world is not going to accept a small compromise in the Doha round. They're going to look for serious movement on subsidies and tariffs. But we have, I think, before us an opportunity to redeploy those resources into a new sector that can in fact create markets here, develop technologies that will serve us at home, and importantly, serve our partners abroad.

So with that, I would like to end here and tell you what's going to happen next. We're going to take a 15-minute break and then we'll have another panel led by Todd Stern (ph), and I hope you will join me in thanking all of our panelists this morning.

(Applause.)