



Summary: Senate Agriculture Hearing Farm Bill and Rural Development



Senate Agriculture, Nutrition and Forestry Committee *Hearing: Farm Bill Policy Proposals Relating to Farm and Rural Energy Issues and Rural Development* May 9, 2007

To watch the entire hearing or to read witness testimonies, please visit <http://agriculture.senate.gov/>.

The following witnesses presented at the hearing:

Panel 1

- Honorable Glenn English, National Rural Electric Cooperative Association, former Congressman and member of the House Agriculture Committee
- Jimmy Matthews, Georgia Rural Water Association
- Robert Grabarski, National Council of Farmer Cooperatives
- Steve Slack, Director, Ohio Agricultural Research and Development Center, Ohio State University

Panel 2

- Lee R. Lynd, Dartmouth College, Thayer School of Engineering
- Daniel de la Torre Ugarte, Agricultural Policy Analysis Center, University of Tennessee
- Howard A. Learner, Executive Director, Environmental Law & Policy Center
- Neil Rich, President and CEO, Riksch Biofuels

Hearing Summary:

The hearing was kicked off with an opening statement by Chairman Tom Harkin (D-IA). Harkin stated, "Our nation's agricultural sector has already demonstrated impressive biofuels production capabilities, and there is impressive evidence it can provide even more in the future. Senator Lugar and I are just two of the believers. We introduced the Biofuels Security Act in January, calling for 30 billion gallons of renewable fuels by 2020 and 60 billion gallons by 2030. I'm pleased to see that a number of others, including President Bush and the Energy and Natural Resources Committee, are calling for very similar targets..... That will be beneficial to rural America as well as to the nation as a whole. Indeed, energy from our agricultural sector is the most important rural economic development opportunity in decades."

After his brief comments, he immediately turned over to the witnesses in Panel 1.

Former **Congressman Glenn English** spoke on behalf of the electrical cooperative companies stating that the electric utility industry is working to meet the future needs of our consumers and, the NRECA, in particular, is also committed to meeting the twin challenges of strengthening our nation's energy security and protecting our natural environment. His organization strongly supports the responsible development of cost effective renewable resources, which can achieve these important goals and boost rural economies.

English detailed that NRECA estimates that electric cooperatives need to invest \$42 billion in infrastructure upgrades, transmission and generation capacity to meet the increasing demand for electricity over the next 10 years. Over the past five years, approximately 60 percent of electric cooperative financing has come from private sources, while the other 40 percent is provided through the Rural Utilities Service loan program. English called for the committee to strengthen public private partnerships, particularly with organizations like Farmer Mac.

Jimmy Matthews began his testimony detailing the issues important to the National Rural Water Association (NRWA). The first of which was the USDA Water and Wastewater Grant and Loan Program, which has allowed rural water systems to access the financing needed. Matthews noted that this has an ever-present backlog for the funding shows that the need far outstretches the funding availability. As a solution, Matthews suggested that the Farm Bill include the enactment of a non-governmental, nonprofit entity to make loans to rural communities, which could work in unison with the current program.

The second issue Matthews brought up was the USDA Circuit Rider Program, a NRWA run effort that provides on-site, hands-on assistance to rural and small community water and wastewater systems. He requested that the Committee push for an expansion of the authorized levels for this program from the current level of \$15 million annually to \$25 million annually, which would allow for an additional Circuit Rider in each state to assist rural systems.

The last issue was Source Water Protection Program, established in the 2002 Farm Bill, which Matthews claims is the "single most effective tool rural communities have in planning for the future of their water sources" because it develops source water protection plans to address the threats envisioned and the protections needed well in advance of these issues reaching critical stages.

Robert Grabarski, National Council of Farmer Cooperatives, spoke to the importance of farmer cooperatives as the best opportunity for America to realize the farmer-focused ideal of an enduring competitive agriculture industry. He detailed how these cooperatives have made substantial commitments to rural America and bio-energy by investing in ethanol and biodiesel facilities and building additional terminal storage for renewable fuels in strategic locations. He, therefore, was deeply concerned with the direction of the industry as it related to the renewable fuel policy in the Farm Bill. Grabarski recommended the following:

- Strengthen current energy title provisions to encourage development, production and use of renewable energy from crops and livestock. In the case of livestock, this includes dedicating the needed resources in the form of research, incentives, grants and loans to support efforts to drive the market and production of all forms of renewable energy, including electricity, from manure.
- Support an increase in the Renewable Fuels Standard beyond 2012 and the goals of the 25x'25 initiative, a movement working towards securing 25 percent of our energy from renewable by the year 2025.

- Support more research into the development of cellulosic ethanol, which is produced from a wide variety of cellulosic biomass feedstocks, including agricultural plant wastes, plant wastes from industrial processes, and energy crops grown specifically for fuels production, such as switchgrass.
- Maintain and strengthen federal procurement, loan, grant and research and promotion programs.
- Maintain and strengthen energy related research programs.
- Extend all the current renewable motor fuel tax incentives.

Steve Slack of Ohio State advocated for the potential to use multiple biomass feed stocks for cellulosic bioenergy development casts the region into a leadership role as Congress considers federal farm policy that will help shift the nation's energy reliance away from unstable foreign sources. With this regard, Slack recommended the Committee do the following:

- Reauthorize section 9002 of the 2002 Farm Bill dealing with the Federal procurement of bio-based products, and to provide the US Department of Agriculture with the resources it needs to support the development of a regional program.
- Examine recommendations for the Energy title of the Farm Bill that have been recommended by the land grant system, through the National Association of State Universities and Land Grant Colleges.
- Support the establishment of regional feedstock demonstration projects.
- Increase the importance of local economic development.

Dr. Lee Lynd kicked off the second panel focusing on the potential of cellulosic biofuels and strategic observations and recommendations with respect to policies impacting biofuels. His first note was that plant biomass is the only foreseeable sustainable source of organic fuels, chemicals, and materials.

"Today there is an unprecedented opportunity to align the farm, energy, and environmental agendas in a way that vastly broadens support for biofuels. However, biofuel and farm advocates will have to earn this support by meaningfully incorporating energy and environmental objectives into policies aimed at fostering the development of a biofuels industry. If we do this right, we can dramatically improve the outlook for rural America while also addressing pressing energy security and climate issues."

Therefore, Dr. Lynd recommends:

- Avoid over incentivizing corn ethanol production to the point that the costs are perceived as outweighing the benefits.
- Policies aimed at increasing fuel production from sources other than petroleum must not increase greenhouse gas emissions and should recognize the value of emission reductions.
- Following through on energy efficiency proposals by enacting aggressive measures to increase energy utilization efficiency in transportation as well as other energy sectors should be a very high priority.
- Congress and agencies need to adjust policy formulation in response to the new reality of a private sector that is newly active in investing in biofuels and other alternative energy technologies.
- Public funds should be used to accelerate the emergence of a biofuels industry.
- Providing broadly accessible opportunities for investigators and institutions not part of the Office of Science Centers would further increase the engagement of the research community and should also be a priority.

Dr. Daniel de la Torre Ugarte, who has been examine the impacts increased renewable energy might have on the agricultural sector and the nation's economy, has found the following in a recent 25 X'25 study – which

looked at the feasibility of America's farms, forests and ranches providing 25 percent of U.S. total energy needs while continuing to produce safe, abundant and affordable food, feed and fiber:

- Provide the funding and risk reduction necessary to ensure that the cellulose to ethanol path is commercially available by 2012. This will reduce the pressure on a single crop-corn-strategy.
- Continue investing in agricultural research in the traditional crops, and increase research activities in the agronomics of dedicated energy crops. Higher yields would reduce pressures over the land resource and on prices.
- Create opportunities for the livestock and poultry sectors to improve their ability to utilize the byproducts from this new renewable energy industry as well as for improved efficiency of the nation's pasture lands.
- Define and create public incentives ensuring environmental sustainability and enhanced benefits to rural communities,
- Support the expansion of dedicated energy crops, like switchgrass, to 100 million acres through significant increased extension efforts that disseminate best management practices to farmers.
- Create an environment for agribusiness to gear up its role to satisfy the input demand from energy dedicated crops in the areas of seed, chemical labeling, and machinery.
- Support the efforts to solve key issues in the supply of feedstock to biorefineries including the pre-treatment of feedstocks as well as the transportation, storage, and handling of those feedstocks.
- Create an environment that supports the development of the infrastructure and efforts needed to construct between 700 and 1,200 biorefineries.
- Support the development of an efficient and reliable system to distribute 86 billion gallons of ethanol from the biorefineries to the sales point creating an ethanol infrastructure capable of delivering up to E85 to the public.
- Define the role of trade.

Howard Learner of the Environmental Law & Policy Center, the Midwest's leading clean energy advocacy and eco-business innovation organization, advocated for more renewable energy and energy efficiency in rural America to help meet our energy needs while improving local economies, strengthening our nation's energy security and improving environmental quality. He suggested some sound ways for this Committee to improve and expand upon the innovative new clean energy development programs adopted in the 2002 Farm Bill. These include:

- Assertive and consistent federal investments in clean energy development across Rural America.
- Increase funding and improve the successful Section 9006 Renewable Energy and Energy Efficiency Improvements Program from its current \$23 million annual appropriation to at least \$250 million by 2012.
- Fund Section 9005 on-farm energy efficiency audits and renewable energy assessments to spur on-farm investments.
- Bring energy crops to market by expanding development and use.
- Establish a sustainable biofuels program by re-designing Section 9010 as a Sustainable Biofuels Production program to provide feedstock purchase incentives to assist developers of new generation cellulosic ethanol plants and to encourage the substitution of biomass for natural gas or coal as an energy source at ethanol and other biofuels facilities.

- Consider creating a new Undersecretary for Energy and Bio-Based Products to clarify and strengthen the agency's farm-based energy research, development, demonstration and commercialization implementation and oversight.

Neil Rich of Riksch Biofuels, a ten million gallon per year biodiesel facility which started production in December of 2006, concluded the witness testimonies with the recommendation that biodiesel be a significant function of the 2007 Farm Bill. He supports the inclusion of a Biodiesel Incentive Program which would operate similarly to the CCC Bioenergy Program and will encourage expanded biodiesel production.