

{As prepared for delivery}

**Remarks for
Thomas C. Dorr
Under Secretary for Rural Development
National Biodiesel Board Annual Board Meeting
Wednesday, July 30, 2003
10:00 a.m.
Washington, D.C.**

- **Thank you and good morning.**
- **I appreciate the opportunity to join you this morning to speak about the role USDA, and particularly Rural Development and the Bush Administration are playing in the use of renewable resources and promotion of bioenergy, particularly biodiesel, and their importance to strengthening our nation's rural economy.**
- **First, though, I must tell you how much I appreciate the effort you as the Bio-Diesel Board have made to elevate the face of this new fuel source and industry.**

- **John Campbell, who I am certain most if not all of you know quite well, and whom in a prior life was involved at USDA... has been a strong advocate and educator of your cause. I've learned much from him and appreciate his time and counsel.**
- **As you well know, you the veg-oil industry weren't blessed with the circumstances and tax-exemptions of ethanol. Yet in many respects it is quite apparent that you learned from their experiences.**
- **You suffered through the frustration of the implementation process of the new farm bill – especially the implementation of 9010 – known as the “Continuation of the BioEnergy Program” (\$150,000,000) year 2003 – 2006.**
- **Your colleagues at the Bio-Based Manufactures Institute are similarly suffering through our implementation of Section 9002 – “Federal Procurement of Bio-Based Products”.**
- **Yet, as you know we finally did get Section 9004 – Biodiesel Fuel Education effort formally launched earlier this month. (\$1,000,000 through 2007)**

- **As the Secretary said when she announced the rollout of the program, “The biodiesel education program supports President Bush’s energy plan to expand the economic prospects and environmental promise of renewable energy... This Administration is committed to encouraging the further development of a biodiesel industry in the United States.”**

- **My enthusiasm stems from the belief that through collaboration with the National Biodiesel Board, we can facilitate an increase in national and global market participation by producers of biodiesel and other biobased products.**

- **And clearly, your role in this effort holds two substantial opportunities for Rural America and Rural Economic Development.**
 - **Energy Production, and**

- **Second, to reaffirm what we've known for as long as we've been exploiting natural resources for the betterment of mankind that adding value is truly the business of natural resource utilization.**
- **As someone who spent over 30 years farming and running a business venture in Iowa, I understand the challenges our agricultural producers face as they seek to improve production modes as well as increase profitability.**
- **As Under Secretary, I seek to apply to our way of doing business much of what I understand about American agriculture and agribusiness.**

RURAL DEVELOPMENT

- **First, however, I would be remiss if I didn't give you a brief background on Rural Development as a mission area:**
 - **Vision – Venture Capitalist to Rural America**
 - **Mission – 1) Increase Economic Opportunity; 2) Improve the Quality of Life for all rural Americans.**

- **Prior to Reorganization – Known as the Farmers Home Administration – the lender of last resort.**

- **Now, Rural Development is a \$86 billion bank.**
 - **1994 – \$6.8 billion in programs and nearly 9,000 employees**
 - **2002 -- \$9.8 billion in programs**
 - **2003 -- \$15.8 billion in programs and 6,800 employees**
 - **\$1.4 billion in Business and Industry loans and grants**
 - **\$8 billion in utility programs, including broadband**
 - **Nearly \$6 billion in housing programs**

- **The value of these programs when used effectively is that they provide tremendous human and capital leverage to build local and regional communities throughout rural America.**

- **If used effectively, they will help provide the capacity to compete globally while living locally.**

- **Key to our business and industry programs are loan guarantees; value-added development grants; and our new energy grant program.**
- **Our utility programs provide traditional infrastructure, but broadband and distance learning capacity truly provide a leg up and to compete in a global market this is imperative.**
- **Rural housing programs are a superb option for developing for young and those you need to move into successful growing communities.**

Two New Programs

- **We have announced over the past two years two major new programs.**
 - **The Value-Added Development Grant Program;**
and
 - **Section 9006 the Renewable Energy and Energy Efficiency Systems Program.**

- **To help expedite the review and announcement of \$37 million in Value Added Agricultural Product Market Development Grants we used private sector consultants to help make timely and unbiased selections of grant recipients. In the last two years, Rural Development has committed \$57 million in Agricultural Value-Added Development Grants for 291 recipients in 43 states, including \$10 million in proposals to develop and market bioenergy in 22 states.**

And --To Increase The Use of Renewable Energy and Energy Efficient Systems:

- **Last December we convened a task force of partners, including: Department of Energy, Environmental Protection Agency, and other USDA agencies to assist in developing the guidelines for implementing Section 9006 of the Energy Title. The program is designed to assist farmers, ranchers, and rural small businesses develop renewable energy systems and make energy efficiency improvements to their operations.**

- **There are two important elements:**
 - **Tax incentives**
 - **Regulatory**

Why does the USDA have interest in this?

- **Now why does the USDA have this interest?**

- **First we should, we are the advocates for agriculture and rural America.**

- **You recall that earlier I suggested that we at Rural Development are the venture capitalist for rural America.**

- **Why?**

- **When a venture capitalist invests in an entrepreneur what does he get in return? -- Equity – If the entrepreneur is successful – the venture capitalist is much better off for his investment. So why do I say Rural Development is the venture capitalist of rural America? Because we, the President, and Congress believe in rural America. We believe the return on public equity investments in rural America is a stronger rural economy and a higher quality of life, along with all ancillary benefits from exploiting the talents of all rural Americans.**

So how can we succeed at increasing equity in rural areas?

- **By employing the same fundamentals that are applied in countering marketplaces – We in rural America must determine how to keep competitive --**
- **I firmly believe that American agriculture is at a crucial crossroad. When we look at what drives our local rural economies, along with our agricultural production capacities, and in the context of global markets -- we must accept the new economy of agriculture -- one that requires new strategies and an openness to adapting to new environments.**

- **I believe the key to remaining competitive is our ability to grasp and utilize the power of technology --The Internet, and the technology that has flowed from it – has resulted in the free flow of capital and easy access to knowledge across borders around the world. It has made it possible for competition to develop and build production and value-added systems unconstrained by yesterday’s foundations. It has served to create international and non-traditional competitive pressures.**
- **We must adapt.**
- **But embracing the benefits of technology will not alone provide our producers and rural business ventures the competitive edge needed in today’s markets. We need to look at agriculture as a business, and in America that is easier said than done.**
- **Let me give you an example. I recently had a discussion with a Mid-west farmer. He spent 20 minutes with me rationalizing why he tore down a building by his farm. It was the barn his grandfather built. He said he couldn’t put big doors on it, the facility wasn’t usable, etc. He felt guilty.**

- **My point is – maintaining traditions sometimes create problems in remaining competitive. Progressive companies eliminate obsolete structures and replace them with efficient ones.**
- **New competitors unconstrained by traditions, like many Brazilian entrepreneurs, simply build using the latest technology.**
- **Now saying this isn't easy – I like traditions of rural America – but again, if agriculture is to be competitive we must be resourceful and creative.**
- **The harsh global economic realities that we face -- forces us to understand and accept – that while we hold dear the attributes of the American Gothic way of life – we have a responsibility to our families and the future of American agriculture to paint a new picture -- one that allows us to respect our traditions, but expand our tolerance and acceptance of new and innovative approaches to support our farmers and ranchers and the rural communities in which they live. It is time we paint an American Gothic for the 21st Century.**

1. Business Management Component – Land Leveraging

- **Earlier I mention that I see Rural Development as the venture capitalist for Rural America – as an investor, we must look to see where we can leverage resources to maximize capitalization and ensure a greater return.**
- **But here is the key -- venture capital requires private investments. Many suggest that farmers and ranchers don't have enough capital because they don't invest in many off-farm opportunities. I don't agree.**
- **As someone who has spent nearly 30 years as a farmer and businessman in northwest Iowa, I understand this challenge to the traditional mindset.**
- **But I would say that farmers have not used their asset base – their land – to its maximum return. Instead of just rolling that capital into the relatively low returns from farming, they could move some of their capital to other areas. This would simultaneously raise farm incomes – and enable more farmers to stay on the farm.**

- **Our farmers probably can't get much better at farming. They should, however, get much better at investing.**
- **So when I hear people say farmers and ranchers don't have the money to make major investments in ventures that ultimately can exact a strong return on their investment, I say that's wrong. The money is there. If the business plan is sound and convincing – and if farmers understand the untapped potential of their capital, I suspect they will invest.**
- **We are challenged today to develop strategies for rural America that are effective and programs that make sense. We, in the public sector, simply have to do a better job. We have bound ourselves up with procedures, regulations and approaches that reflect a rural America of the 1950s, using definitions from the 1930s.**
- **That simply has got to change. Rural America of the 21st century will look nothing like the rural America of the early 20th century. Our programs have got to stop looking back and start looking forward.**

- **We must work with our farmers and ranchers to encourage them to use the untapped equity in their land to make serious investments in their local communities.**
- **This doesn't mean encouraging them to leave farming or to take senseless risks. It's just the opposite. By increasing their return on investment – the value of their land – their ability to stay in farming and ranching will be enhanced, not lessened. That age-old solution of how to protect the family farm comes as we have always known in diversification.**
- **In order to do this, we need to help improve business knowledge and skills in rural America. Serious education on business strategies, finance, marketing and decision making will enable farmers, business and community leaders to lead dynamic, creative cooperative businesses that can succeed.**

- **But utilization of land equity as a form of capital investment must be accompanied by an evolution in how cooperatives support producers and value-added ventures. Cooperatives must be prepared to sail in relatively uncharted waters to bring the maximum benefit to producers who look to them for economic opportunities and security.**
- **I also believe that the biodiesel industry is at a crucial crossroad. Unlike the evolution of the ethanol industry, which took 25 years to bring from research and development to cost-effective commercialization -- the advancement of the biodiesel industry will evolve much quicker.**
- **You have already demonstrated tremendous growth in just the last three years. The fact that you have utilized 150 million pounds of soybean oil in 2003 to develop the B20 market that supports reduced emissions of many government and private sector fleets indicates a significant forward momentum. 2.7 million gallons of biodiesel were produced to support participants under the Energy Policy Act of 1992 (EPAAct) in 2003 compared to only 88,000 gallons three years ago.**

- **This quicker evolution is due to the work the National Biodiesel Board has put into developing the biodiesel industry. You have reduced the uphill battle of moving the industry from infancy to commercialization.**

- **The B2 has also had similar success in the farm market. Over 300 locations in my home state of Iowa sell B2, providing efficiency for lubricity purposes.**

- **While currently the cost for B20 runs 15- 20 cents higher than regular diesel and B2 about 1-3 cents higher, the ability to be competitive will be improved through several advantages that will drive the biodiesel market:**
 - **Consistent supply derived through various sources such as canola, soybean, etc. – you have greater ability to build a consistent market.**
 - **Supply is good**
 - **Market demand is good**
 - **Environmental benefits are good**

- **Also weighing in on your side is the commitment society is willing to make to formalizing and implementing policies that support greater energy security for our nation.**
- **It is this commitment by society that creates the foundation for the President's energy policy and that supports the advancement of renewable energy ventures.**
- **It is this commitment and understanding that will drive our efforts at USDA and Rural Development to support your industry. Although, I would add, we must do a better job. We must engage in a way that ensures the long-term stability of the market and the industry. I believe the opportunity for substantial market growth is there and we have the technologies and commodities to ensure a stable production to meet the demand.**

- **President Bush understands this potential and strongly supports our rural small businesses, ranchers, and farmers in this effort.**
- **You have my assurance that Rural Development will be a strong supporter of your efforts. It is marketable, it can be profitable, and it is the right thing to do for our country.**
- **The foundation is there. Now, it is our challenge to build on it.**
- **I will be happy to answer any questions you may have at this time. Thank you.**