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# POLICY AMENDMENT FORM

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2  
3 Amendment to: Section 13 Rural Development and first 8 paragraphs of Section 11.10 New  
4 Uses of Agricultural Products similar to Section 13.8 (also named) New Uses of Agricultural  
5 Products

6 (Policy Title)

**RD-4**

7  
8 Section Number /Title to Be Amended: all sections under consideration  
9 in Section 13 and first 8 paragraphs of Section 11.10 New Uses of  
10 Agricultural Products

11  
12 Subject of Amendment: Rural Development

13  
14 Submitted By\_ Commissioner Roger Johnson

North Dakota

15 (Name)

(State)

16  
17  
18 Amendment Text (Please write legibly):

19  
20  
21 See attachment – Section 13 Rural Development and first 8 paragraphs of Section 11.10 New  
22 Uses of Agricultural Products

23  
24 Also see Policy Revisions Key

25  
26  
27  
28  
29 Signature submitted electronically

Date 8/31/2007

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30  
31  
32 Adopted \_\_\_\_\_

33  
34 Adopted w/ Amend. \_\_\_\_\_

35  
36 Not Adopted \_\_\_\_\_

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47

1 13. Rural Development

2  
3 13.1 Introduction

4  
5 ~~The needs of rural America are unique to those of suburban and urban area. Emphasis is needed~~  
6 ~~on providing the necessary resources for rural areas to create jobs and prevent losses in~~  
7 ~~agriculture production and from increasing efficient competition. Success of economic~~  
8 ~~development in rural areas will be dependent upon assistance provided by federal and state~~  
9 ~~governments.~~

10  
11 NASDA recognizes the strong and growing linkages between agriculture and rural communities.  
12 Agricultural and rural policy must be designed to reflect and reinforce the dynamic interface  
13 occurring among farming, agriculture and rural America. NASDA also recognizes the need for  
14 policy to be flexible enough to support regional economic development strategies.

15  
16 NASDA supports substantially increased investments in rural community economic development  
17 in ways that drives economic growth, entrepreneurship and innovation, and improves rural life.  
18 Retaining agricultural and rural youth in next generation businesses, attracting new capital and  
19 new business, and maintaining a profitable agriculture must be a focus and priority of rural  
20 development and agricultural policy. NASDA recognizes a significant amount of agriculture  
21 occurs, and a large number of rural communities exist, within commuting distances of  
22 metropolitan areas. In addition, NASDA acknowledges that a growing agriculture and rural  
23 economy requires both debt and equity capital.

24  
25 The current definitions and standards of federal economic development programs currently  
26 restrict program participation by rural areas in proximity of metropolitan and micropolitan areas.  
27 NASDA recommends that Congress extend eligibility of federal economic development  
28 programs to agricultural and rural community projects in metropolitan and micropolitan counties  
29 across the United States.

30  
31 13.2 Rural Development

32  
33 Funding and development programs for rural America should be ~~adequate or accessible enough~~  
34 ~~to directed toward preventing~~ the loss of businesses and human capital in rural areas. Rural area  
35 determinations of rural areas should be flexible enough so as not to exclude low-density  
36 agricultural areas that are located in proximity to population centers or metropolitan areas. Rural  
37 development programs should provide funding for agriculture-related business development and  
38 job creation projects including:

- 39  
40 Feasibility studies;  
41 Technical assistance;  
42 Research and technological development assistance;  
43 Cooperative organizational assistance; and  
44 Leadership development.  
45

1 NASDA recommends that the lending authorities of USDA Rural Development be broadened to  
2 help start and grow businesses in rural communities.

3  
4 ~~Funding could be used to match local community funds to buy down interest on loans made by~~  
5 ~~local lending institutions for value-added agricultural and other primary sector rural businesses.~~  
6 ~~Funding and technology transfer programs should also be available to assure extension of the~~  
7 ~~information superhighway in order to allow for the creation of technologically advanced jobs in~~  
8 ~~rural communities as well as on farms and ranches.~~

9  
10 ~~Existing entities such as the Alternative Agricultural Research and Commercialization Center~~  
11 ~~(AARC), are designed to generate new industrial market demands for farm and forestry~~  
12 ~~products. These entities can play a vital part in creating economic stability and growth by~~  
13 ~~creating new uses that consume greater quantities of agriculture's production. At the same time~~  
14 ~~they are creating new jobs in rural areas that can help prevent the loss of rural capital and human~~  
15 ~~resources.~~

16  
17 ~~A national strategy for rural economic development should include federal investment tax credits~~  
18 ~~for targeted job creation and job retraining programs administered by states. States should have~~  
19 ~~the authority to designate eligible areas based on specific human resource development needs~~  
20 ~~and the ability to achieve specific rural development goals.~~

21 ~~Both the Fund for Rural America and the Rural Community Advancement Program were created~~  
22 ~~to address the needs and issues of rural development communities. These programs encourage~~  
23 ~~research activities, technological development and assistance in rural communities. NASDA~~  
24 ~~supports the development of opportunities in rural communities to meet educational, economic~~  
25 ~~and technological objectives. NASDA supports adequate funding levels for USDA's Resource~~  
26 ~~Conservation and Development Councils and state Rural Development Councils. These~~  
27 ~~programs should offer grants to collaborating rural communities for initiatives to spur~~  
28 ~~entrepreneurial development, including small business education, technical assistance, leadership~~  
29 ~~programs, youth retention, and intergenerational business transfers.~~

### 30 31 13.3 Rural Lending

32  
33 ~~Lack of financial authority and institutional commitment by rural lenders to invest in rural~~  
34 ~~enterprises are major obstacles to the growth and development of rural America. Government~~  
35 ~~imposed regulations and paper work have made efficient lending and borrower servicing~~  
36 ~~inadequate and too often untimely.~~

37  
38 ~~The Farm Credit System (FCS) has a long history of working with agricultural borrowers and~~  
39 ~~one of its strengths is an understanding of agricultural enterprises. The FCS should be provided~~  
40 ~~with the authority to finance value added enterprises that may be on-farm or off-farm~~  
41 ~~investments. FCS should also be provided broader authority, with shareholder approval, to~~  
42 ~~provide debt and equity capital to serve a wider ranger of agricultural and rural businesses, and~~  
43 ~~agricultural and rural community needs.~~

44  
45 ~~Supervisors need to be freed from excessive paperwork requirements to provide adequate~~  
46 ~~common sense supervision and specialized assistance to borrowers based on their needs.~~

1 Furthermore, improved customer service and flexibility is important to helping customers  
2 develop viable long term production plans and to utilizing creativity in working with borrowers  
3 during periods of fluctuating income due to natural causes.  
4

5 Loan guarantees are only permitted once a facility is completely constructed or when specific  
6 stages are completed. This is counter productive because in many instances loan guarantees are  
7 needed to obtain adequate financing at the beginning stages of a project. NASDA supports  
8 providing guarantees on commercially viable rural projects in the early stages of the project's  
9 development.  
10

#### 11 13.4 The Needs of Rural America

##### 12 13 Broadband and Wireless Internet

14  
15 Agriculture will benefit from inexpensive and easily accessible Internet connections by  
16 facilitating and strengthening use of extension research and technology programs, resident  
17 education, domestic and international marketing, and access to federal information and  
18 documents online. Information and communication technology, including telemedicine and  
19 distance learning, can help rural communities enjoy the same benefits as urban areas, such as  
20 higher standards of health care and virtually unlimited educational opportunities.  
21

22 ~~Development of economically viable access to internet connections rural communities is~~  
23 ~~important to ensure that farmers and ranchers have the proper tools to succeed in the expanding~~  
24 ~~global market place which is increasingly becoming more competitive. Agriculture would~~  
25 ~~benefit from inexpensive and easily accessible internet connections by facilitating and~~  
26 ~~strengthening use of extension research and technology programs, resident education, domestic~~  
27 ~~and international marketing, and access to federal information and documents online. The~~  
28 ~~information superhighway offers an avenue in the preparation for new jobs in the field of~~  
29 ~~communication technology. For example, the Idaho OnePlan is a vehicle to achieve~~  
30 ~~private/public partnership for a technical delivery system in the future.~~

31 ~~Today, most farm internet users, especially those located in rural areas, are extremely limited in~~  
32 ~~the type of information they can send and receive. Their access is limited to 'narrowband'~~  
33 ~~communications media, typically conventional phone lines at a maximum speed of 56,000 bits~~  
34 ~~per second. By contrast, many higher income urban and suburban areas and urban business users~~  
35 ~~have access to the internet at competitive prices from a variety of carriers at current generation~~  
36 ~~broadband speeds in excess of 1,500,000 bits per second, providing them with a wide array of~~  
37 ~~audio and data applications.~~  
38

39 NASDA supports action by Congress to increase the availability and choices of broadband and  
40 wireless internet access such as narrowing the disparity in the level of broadband and wireless  
41 access to the internet through tax credits, government pilot projects, and increased funding for  
42 upgrading rural telecommunications. NASDA also supports the implementation of laws that  
43 protect the privacy of consumers who use the Internet and wireless communication. Specifically,  
44 there already exists a computing investment credit in the Internal Revenue Code of 1986, which  
45 could be expanded to include a broadband credit.

1 ~~Also, we encourage agencies such as the National Science Foundation to research means of~~  
2 ~~enhancing or facilitating the availability of broadband and wireless telecommunications services~~  
3 ~~in rural areas and other remote areas.~~

#### 4 5 Agricultural Forecasts

6  
7 ~~The National Weather Service (NWS) has discontinued daily agricultural weather forecasts.~~  
8 ~~Farmers have been left without adequate weather information to plan activities such as baling of~~  
9 ~~hay and disposing of crop stubble. The NWS is the only organization with the technology and~~  
10 ~~expertise needed to provide timely and accurate agricultural forecasts. Daily agricultural~~  
11 ~~forecasts needs to be reestablished.~~

#### 12 13 Weather Information

14  
15 ~~The National Agricultural Weather Information System should be coordinated with the National~~  
16 ~~Oceanic and Atmospheric Administration (NOAA) to ensure that producers receive accurate and~~  
17 ~~timely forecasts on which to base decisions on crop production.~~

#### 18 19 Rural Fire Protection

20  
21 ~~Improving fire protection in rural America is important and should be provided with the~~  
22 ~~appropriate funding to continue this program.~~

### 23 24 13.5 Value-Added Processing and Cooperative Enterprises

25  
26 Producers traditionally look to expand their market share through exports, but they also realize  
27 there is an opportunity to increase their markets through value-added processing. Strategies to  
28 increase market share through value-added processing include cooperative and other business  
29 ventures focused on agricultural processing, farmer-owned cooperatives, and marketing the value  
30 of 'high-end' crops and livestock. The benefit of cooperatives and other business ventures is the  
31 potential for farmers to capture a greater share of the value of their product, while keeping more  
32 dollars in their local and regional economies, instead of exporting raw commodities from rural  
33 communities.

34  
35 NASDA recommends that USDA's Rural Business-Cooperative Service should give attention  
36 and focus to farmer-owned cooperatives to increase the value of farmers' products in the  
37 marketplace. NASDA recommends the Rural Business-Cooperative Service include small farm  
38 operations and provide education (technical and business planning) and financial resources to  
39 enable these small producers an opportunity to add value to their products and market them to  
40 retailers and consumers.

41  
42 NASDA recognizes the powerful economic contributions of agricultural and other cooperatives  
43 in the United States. NASDA also recognizes the significant role and growth opportunities for  
44 new cooperative enterprises across a wide variety of sectors, and for new producer ownership  
45 models in businesses beyond the farm gate, which can positively affect agricultural and rural  
46 communities.

1  
2 NASDA supports the preservation of the Capper Volstead Act to ensure the continued ability of  
3 farmers and ranchers to form cooperatives and to negotiate for fair business practices. NASDA  
4 also strongly supports cooperatives development centers and technical assistance for new  
5 cooperative enterprises.  
6

7 The National Commission on Small Farms and the Secretary's Advisory Committee on Small  
8 Farms both issued recommendations for USDA consideration. NASDA recognizes both of these  
9 reports and supports recommendations that will strengthen the viability of small farmers and  
10 ranchers. This includes the establishment of small farm business councils at the state level,  
11 which comprises the involvement of state departments of agriculture.  
12

13 ~~"Value adding" is an economic concept that traces the final value of products and services  
14 purchased by consumers back through the marketing chain to where the value was created.  
15 Value adding as an approach to determine the full contribution of agriculture in a given product  
16 is needed to accurately measure the agriculture industry's value to the nation's and to a state's  
17 economies. Agriculture's value to the economy in value added reporting should include  
18 processed goods, service industries and other professions that gain value from or add value to  
19 agricultural products. Value adding does not only mean processing, but rather can include such  
20 on-farm strategies as direct retail, pick-your-own harvest and agri-tourism.~~  
21

22 ~~As the farm economic situation remains weak, farmers are looking for new markets in which to  
23 sell their products. Producers traditionally look to expand their market share through exports,  
24 but they also realize there is an opportunity to increase their markets through value added  
25 processing. Strategies to increase market share through value added processing include  
26 cooperative and other business ventures focused on agricultural processing, farmer owned  
27 cooperatives, and marketing the value of 'high end' crops and livestock. The benefit of  
28 cooperatives and other business ventures is the potential for farmers to capture a greater share of  
29 the value of their product, while keeping more dollars in their local and regional economies,  
30 instead of exporting raw commodities from rural communities.~~  
31

32 ~~Farming today is a high risk, low profit margin business, and is one of the few businesses that  
33 must buy its inputs retail and sell its output wholesale. Small farmers are quickly recognizing  
34 that if that are to increase their economic returns from the products they raise, then need to  
35 command a greater share of the consumer dollar by adding value to their products. A stumbling  
36 block to value added processing at the producer level is the lack of access to technology and  
37 financial resources to implement a business plan for value added processing. It is important that  
38 agencies such as USDA's Rural Business Cooperative Service give attention and focus to  
39 farmer owned cooperatives to increase value of the farmer's product in the marketplace.  
40 Most importantly, oversight of the program should ensure that the actual business operation be  
41 based in a local community and that financial assistance benefits small farms.~~  
42

43 ~~NASDA also recognizes the Small Farms Commission Report and supports its  
44 recommendations, especially on the point of establishing small farm business councils at the  
45 state level, which includes the involvement of state departments of agriculture. Eligibility for the  
46 Value Added Producer Grant Program should be extended to proposals covering all facets of~~

1 “value adding” as described above. USDA should continue to fund Agricultural Innovation  
2 Center grants at a level of \$10 million annually, and encourage regional collaboration on such  
3 centers. USDA should fully implement the Rural Business Investment Companies program  
4 outlined in the 2002 Farm Bill and reauthorize such a program in the next Farm Bill. USDA  
5 must further commit to adequately fund Rural Development Councils.

#### 6 7 Economic Data; Information and Data Collection (combined with Economic Data)

8  
9 Effective agricultural policy should be based on accurate and objective data that describe the  
10 structure and operation of agricultural enterprises and measure their economic health. Proper  
11 data are needed both to administer programs and measure their performance. Data requirements  
12 need to be developed in parallel with policy. There should be better cooperation among USDA  
13 agencies on survey information and collection.

14  
15 NASDA supports National Agricultural Statistics Service (NASS) initiatives to develop  
16 electronic data reporting systems.

17  
18 NASDA also supports strong federal-state partnerships between individual state departments of  
19 agriculture and the NASS. NASDA provides a nationwide staff of interviewers who are essential  
20 to collection of meaningful agricultural statistics. NASDA strongly endorses NASS efforts to  
21 support a highly trained, competitively paid corps of part-time enumerators who collect the data  
22 that form the foundation of the NASS census and survey programs.

23  
24 NASDA strongly supports providing adequate resources for conducting censuses of agriculture  
25 and for additional research to improve response, ease data reporting, and enhance data quality.  
26 In particular, NASDA encourages expansion of cost of production data for specialty crops,  
27 which are collected as part of the annual NASS Agricultural Resources Management Survey  
28 (ARMS).

29  
30 NASDA encourages Congress to appropriate the necessary funding to expand pesticide use data  
31 collection through statistically valid survey procedures for all pesticide uses supported through  
32 the pesticide registration and the FQPA process.

33  
34 NASDA recommends that the U.S. Department of Homeland Security’s Customs and Border  
35 Protection provide individual states with data on plant, animal and food entries into states to  
36 enhance states’ ability to prevent introduction of harmful plant and animal pests and diseases.

37  
38  
39 ~~The availability of unbiased economic data is crucial for the agricultural community and public~~  
40 ~~policy makers to make good risk management decisions. Farmers who cannot afford consultants~~  
41 ~~rely upon the federal government to provide accurate and timely information. ERS’ forecasts are~~  
42 ~~the bedrock for not only farmers’ planting decisions, but for bankers’ lending decisions,~~  
43 ~~processors’ investments in capacity, and the activities of suppliers of inputs, storage,~~  
44 ~~transportation and insurance. Private consulting firms will continue to publish their own market~~  
45 ~~forecast reports, but private companies do not have the obligation to share that information with~~

1 the public. Smaller companies and producers will be shortchanged, with the larger players  
2 holding all the cards relating to market forecasts.

### 3 4 13.6 Information and Data Collection

5  
6 The highly efficient U.S. agriculture sector is fueled by timely, accurate, and reliable information  
7 which supports agricultural commerce, policy decisions and allows targeted efforts to control  
8 and eradicate plant and animal pests and diseases. Effective agricultural policy should be based  
9 on accurate and objective data that describe the structure and operation of agricultural enterprises  
10 and measure their economic health. In addition, proper data are needed both to administer  
11 programs and measure their performance. These measures should allow policy makers to  
12 determine whether targeted producers are being reached and if their economic viability is being  
13 maintained. Data requirements need to be developed in parallel with policy.

14 NASDA strongly supports efforts to build program capacity within the National Agricultural  
15 Statistics Service (NASS) and its cooperative partners to expand initiatives to enhance the  
16 collection of needed information and to improve the quality of data. These initiatives take many  
17 forms, from producer surveys to within field measurements to using geographic information  
18 systems and remote sensing. Web-based data collection and dissemination systems are  
19 additional examples of efforts to provide quality data with less burden on providers and users of  
20 data. NASDA supports NASS initiatives to develop electronic data reporting systems and  
21 supports the NASS goal to electronically collect the information for the 2007 Census of  
22 Agriculture.

23  
24 NASDA supports the strong federal-state partnerships afforded by the system of cooperative  
25 agreements between individual state departments of agriculture and the NASS. These  
26 cooperative agreements enhance efficiency and effectiveness by providing for both state and  
27 federal data needs with local input on the types of statistics that are most important to the  
28 nation's agriculture.

29  
30 The census of agriculture provides a complete picture of U.S. farms and ranches every five  
31 years. It is the most comprehensive source for county level statistics that are especially critical  
32 in measuring changes over time at the local level. The census is the benchmark for U.S.  
33 agriculture and forms the basis for policy decisions related to agriculture and rural communities.  
34 It is essential that adequate resources be provided for conducting censuses of agriculture and for  
35 additional research to improve response, ease data reporting, and enhance data quality.  
36 The Agricultural Risk Protection Act of 2000 encourages farm operators to diversify and add  
37 additional crops to their farm operation. NASDA emphasizes the need for more detailed county  
38 level information on livestock inventories and crop acreage, yield, and production in support of  
39 this Act.

40  
41 The Food Quality Protection Act emphasizes the need for reliable information about the volume  
42 and types of pesticides being applied to individual crops and what residues can be anticipated on  
43 these crops. USDA agricultural statistics and the Pesticide Data Program (PDP) play a valuable  
44 role in gathering pesticide use and dietary risk information. It is essential that funding for these  
45 programs continue. In order to ensure that current dietary habits are reflected accurately, a new

1 ~~food consumption survey should be conducted which will provide data to EPA as required by the~~  
2 ~~FQPA.~~

### 5 13.7 Rural Education

7 NASDA strongly supports K-12 agricultural education programs ~~for~~. State departments of  
8 agriculture should support various efforts to develop and implement agricultural education  
9 programs which are focused on public awareness and leadership. ~~will to provide our youth with a~~  
10 ~~better appreciation of agriculture, to focus on the importance of this basic industry to society, the~~  
11 ~~environment, and to better prepare future decision makers.~~

### 14 13.8 New Uses of Agricultural Products Bioeconomy

15 (Combined with first 8 paragraphs of section 11.10)

17 Agriculture historically has provided food and fiber to America. Now, with the development of  
18 new biofuels such as ethanol and biodiesel, and with greater commercial interest in wind and  
19 solar energy, America's farms and ranches are increasingly seen as a promising source of clean,  
20 renewable, home-grown energy. This role is expected to take on increasing prominence in years  
21 to come, given mounting concerns over oil prices and availability, and the environmental and  
22 geo-political implications of America's continued reliance on foreign sources of fossil fuels.

24 Replacing the use of imported petroleum with domestically produced sources of energy made  
25 from biomass, would address many ~~of the~~ economic, environmental and national security  
26 ~~problems~~ issues. Development of a biomass industry will also ensure that U.S. agricultural  
27 producers have profitable new markets for their products, and that agricultural land is kept in  
28 productive use. Emphasis should be placed on the development of alternative fuels from  
29 agricultural commodities, livestock manures, forest products, agricultural crop residues, food  
30 processing byproducts, waste stream products, and other biomass products.

32 Beyond food, fiber and even energy, many people see agriculture as having potential as a new  
33 method of manufacturing pharmaceuticals and other products previously made through chemical  
34 or industrial processes. The emerging industrial biotechnology field is exploring how the  
35 building blocks in cellulose can be used to create a whole host of products, such as plastics,  
36 polymers, pharmaceuticals, solvents, paints, and other industrial chemicals.

38 The economic value of these potential markets for agricultural "feedstocks" might someday  
39 surpass the value of the food and fiber market. Rather than producing these products from finite  
40 fossil fuel resources, the U.S. can use its land base and ~~its natural resources~~ assets to provide a  
41 continually renewable resource for industrial processing.

43 NASDA supports a national ~~What is needed to jump-start and develop this industry to its full~~  
44 ~~potential in the U.S. is a strategy that addresses the gaps in research and financing so that these~~  
45 biomass feedstocks can be grown, harvested, and processed to maximum efficiency. This would

1 result in an industry that produces goods that can compete with petroleum-based products on  
2 price and availability.

3  
4 NASDA supports increasing the Renewable Fuels Standard (RFS) to 7.5 billion gallons of  
5 renewable fuels by 2008 and increased to 30 billion gallons per year by 2025. Just as the current  
6 RFS provides for a portion of this amount to be met by cellulosic ethanol, any increases to the  
7 RFS should include a corresponding increase in the amount that must be derived from cellulosic  
8 feedstocks.

9  
10 NASDA supports the implementation of the 25 X '25 initiative as proposed by the Ag Energy  
11 Working Group, which states that "Agriculture will provide 25 percent of the total energy  
12 consumed in the United States by 2025 while continuing to produce abundant, safe and  
13 affordable food and fiber."

14  
15 NASDA also supports the establishment of on-farm incentives to produce and utilize solar  
16 energy, wind energy, biodiesel fuel, methane, and any other biopowers, biofuels and bioproducts.  
17 NASDA also supports emphasis and funding for carbon sequestration research and the  
18 implementation of a trading system for carbon credits.

19  
20 The members of NASDA also support the continuation of existing federal tax credits for the  
21 ethanol, biodiesel, and wind production. The members of NASDA also support the minimum  
22 oxygen standard of the 1990 Clean Air Act Amendments and the replacement of MTBE with  
23 ethanol to meet that standard.

24  
25 NASDA supports allowing Conservation Reserve Program (CRP) acres to be used for energy  
26 and bio-based crops, with commensurate payment reductions. In addition, a cellulosic/energy  
27 feedstock base should be established. Participants could enroll their land by entering into long-  
28 term contracts, at least 10 years, to grow certain perennials, such as, but not limited to,  
29 switchgrass and trees. Such land use should also benefit the environment, wildlife and  
30 recreation. NASDA also supports providing more financial resources for the Department of  
31 Energy (DOE) Biomass Research and Development program, with additional resources  
32 specifically designated for commercialization.

33  
34 ~~Feedstock Supply for a Bioenergy and Bioproducts Industry) that found that the United States~~  
35 ~~has enough land base to produce over 1.3 billion dry tons of biomass a year. This amount could~~  
36 ~~be produced now, with only modest changes in land use and agricultural and forest management~~  
37 ~~practices, and without impacting U.S.~~

38  
39 ~~More importantly, biomass could potentially replace 30% of the petroleum currently used for~~  
40 ~~fuels and other products. There is no question that the United States' dependence on imported~~  
41 ~~petroleum has created a situation that has greatly increased national security, economic, and~~  
42 ~~environmental risks. Shifting global petroleum dynamics are causing gasoline prices to soar and~~  
43 ~~resulting in economic hardship for the American public and businesses. The costs associated~~  
44 ~~with imported petroleum are significant factors in our country's trade deficit. Additionally our~~  
45 ~~reliance on imported petroleum makes us increasingly reliant on countries in unstable regions of~~

1 the world, such as the Middle East. Meanwhile, transportation emissions are the single largest  
2 contributor of greenhouse gas pollutants.

3  
4 An agriculture-based renewable fuels industry will create jobs and spur economic activity,  
5 particularly in rural areas where economic opportunities are limited. It will harness the power of  
6 our nation's abundant natural resources, making products from renewable resources that are  
7 more beneficial for the environment. And, perhaps most importantly, it will decrease our  
8 country's dependence on imported petroleum for its energy needs and create an industry where  
9 the U.S. could become an energy exporter.

10  
11 The products that can be made from plant material are not limited to renewable fuels such as  
12 ethanol and biodiesel, although there are tremendous potential economic and environmental  
13 gains to be made from these products alone. Furthermore, this technology could also be  
14 exported, providing underdeveloped nations with the ability to use their land bases to create  
15 products, wealth, and economic activity.

16  
17 It is important to note that this technology is not years away from commercialization and is  
18 immediately available. Right now, Iogen, a Canadian industrial enzyme manufacturer, is  
19 commercially producing ethanol from wheat straw at a plant in Ottawa. Other companies are also  
20 working on the enzymes needed to break down cellulose into low-cost, fermentable sugars.

21  
22 Any doubts as to whether agricultural crops can provide a substantial base for transportation  
23 fuels can be answered by examining Brazil's renewable energy industry, which generates 43.8%  
24 of its power from renewable energy sources and is the world's largest producer of ethanol.  
25 Brazilian policy requires all gasoline to contain a minimum of 25% alcohol, and by 2007, all new  
26 cars manufactured in Brazil may be able to run on 100% ethanol. Since its inception, Brazil's  
27 ethanol program has displaced \$120 billion worth of imported oil, comparable to a savings of  
28 almost \$2 trillion for a U.S.-sized economy. Meanwhile, Brazil also expects to substitute  
29 biodiesel for 20% of its conventional diesel within 15 years.

30  
31 The U.S. Department of Energy Biomass Program, assisted by the USDA, is a multi-year federal  
32 effort to address the research on various levels by working with academic and private partners.  
33 However, several gaps in research exist, such as developing new biomass feedstocks. These gaps  
34 need to be filled by academic institutions and private partners so that a strategy can be developed  
35 to stimulate private investment.

36  
37 NASDA believes that energy, industrial, and pharmaceutical uses for agricultural products offer  
38 U.S. farmers an opportunity for market growth. In order for new uses of agricultural products  
39 need to be realized to the greatest extent practicable, NASDA believes that an aggressive  
40 strategy is needed to develop this industry from a research and commercialization perspective.

41  
42 To the end, NASDA supports:

43 Establishment of the Renewable Fuel Standard of 7.5 billion gallons a year of ethanol by 2012,  
44 with an additional requirement of 250 million gallons of cellulosic ethanol per year by 2013, as  
45 required in the recently passed Energy Bill;

1 Establishment of a credit trading program administered by EPA that would provide flexibility as  
2 to when and where ethanol is used;  
3 Providing more financial resources for the DOE Biomass research & development program, with  
4 additional resources specifically designated for commercialization; and  
5 Establishment of grants and federal loan guarantees for capitalization of cellulosic ethanol plants.  
6

#### 7 11.10 New Uses of Agricultural Products (Note: first 8 paragraphs of this section only) 8

9 ~~New uses of agricultural commodities hold the promise of “shifting the demand curve” for  
10 agriculture well beyond the current food and fiber sectors. In many ways, these new uses are not  
11 new at all; it’s a trend back into the future. Early in the industrial revolution, many industrial  
12 inputs were based on plant and animal products. Vegetable oils were used to make paints,  
13 varnishes, soaps, and lubricants. Methanol was used as an industrial solvent, and later to  
14 produce the first generation of plastics. Petroleum-based products squeezed agricultural  
15 materials out of the industrial markets to a large extent by the 1920s and 1930s when  
16 agricultural based materials accounted for about 35 percent of industrial inputs. During the  
17 decade of the 90s, that share dropped to about 15 percent — much of which was for producing  
18 paper.~~

19  
20 ~~At the dawn of a new century, environmental interests, rising energy costs, and national security  
21 concerns are spurring renewed interest in plant and animal feedstocks to industry. In 2000-01,  
22 fuel ethanol production from corn set new monthly production records for 23 of 24 straight  
23 months. The challenge is to find similar opportunities in pharmaceutical, industrial, and other  
24 energy sectors.~~

25  
26 ~~Moreover, a greater challenge to “think outside of the box” lies in the area of environmental  
27 enhancement. The desirable public benefits of green space, buffer strips, carbon sequestration  
28 and other positive contributions from well-managed farms can be quantified, and can provide an  
29 entirely new market for farmers — the opportunity to market environmental benefits as  
30 “commodities.” It also provides society with invaluable net gains in air and water quality.~~

31  
32 ~~Throughout history, agriculture's primary purpose has been to provide a source of food and  
33 fiber. Agricultural policies reflect that purpose by focusing more on increasing yields for  
34 traditional uses and on expanding international markets, rather than finding new uses for farm  
35 commodities. That focus has changed recently, as yields have expanded and supply of food and  
36 fiber commodities have begun to exceed demand. International trade competition has increased.  
37 At the same time, the use of non-renewable resources, such as fossil fuels and petrochemical  
38 plastics are causing environmental concern.~~

39  
40 ~~The high environmental costs of retrieving, transporting, using, and disposing of non-renewable  
41 resources has become increasingly apparent. There is an increasing industrial need and demand  
42 for agricultural based products as an alternative to those produced from fossil fuels. Also, many  
43 other non-renewable resources have to be imported, increasing the nation's trade deficit.~~

44  
45 ~~In response, processors and manufacturers have looked to America's plentiful renewable  
46 agricultural resources to prevent and solve various social and environmental problems and to~~

1 improve quality of life. Technological advances have made agriculturally based goods more  
2 competitive in the marketplace. As more of these products become available, demand is likely to  
3 increase as well.

4  
5 NASDA believes that industrial and pharmaceutical uses for agricultural products offer U.S.  
6 farmers an opportunity for market growth. In order for new uses of agricultural products to be  
7 realized to the greatest extent practicable, NASDA believes that additional crop research is  
8 needed to develop alternatives to traditional uses of agricultural products. Agriculture's  
9 expansion into non-traditional industries will boost rural economies, with a positive economic  
10 and environmental ripple effect throughout the nation.

11  
12 The members of NASDA support the development of alternative fuels such as ethanol, biodiesel,  
13 and other biomass fuels.

14  
15 *For distribution – 09/10/2007.*

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