

U.S. Department of Agriculture Secretary Mike Johanns

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AgRenew Energy
2007 Farm Bill....

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Good Morning:

My name is Jeffrey Frost. I am president of AgRenew Energy, a consulting company engaged in promoting farm based renewable energy as part of a paradigm shift within sustainable agriculture.

I speak this morning from direct personal experience regarding the renewable energy benefits of the Farm Act of 2002. I have had the pleasure of fashioning four separate grant applications on behalf of farm interests for whom I work. Thanks in no small fashion to the strong support from our Vermont Rural Development office, each application has won a grant award. Two of these applications were under the 9006 Renewable Energy provisions and two under the Value-Added Producers Grant program, though these latter two also relate to farm renewable energy projects. Two of these awards will be highlighted here, later today.

As a further part of the experience which has shaped my views, I personally had the opportunity to go to Washington and be the team leader and author of the Legislative Impact Analysis for Section 9006 of the Farm Act of 2002. Our work occurred under the direction of Rural Development Deputy Administrator Bill Hagy and Special Assistant Deputy Administrator Georg Shultz. We worked as a subcontractor within the USDA MACTEC Federal Systems contract.

This "impact analysis" which I reference here today is the assessment of the country wide energy production, environmental benefits, and economic stimulus impacts of the Section 9006 Renewable Energy and Energy Efficiency funding.

Our work, employing a sophisticated econometric model, demonstrated the powerful multifaceted macro scale benefits of this farm renewable energy program. The economic benefits to the rural communities in which projects are located are substantial. The environmental benefits are substantial. The renewable energy capacity creation and energy efficiency savings are cost effective and upwardly scalable according to program funding levels. And most important of all, the project level farm operational and farm income benefits to individual farm project owners have been substantial as well.

I wish to make four basic points this morning. I have, by the way, submitted a longer version of my remarks in written form.

My Four Points In Summary Form Are:

1. Section 9006 of the Farm Act of 2002 provides well documented benefits of multiple types to the farm community. Farm renewable energy is, and will be, a key component of this century's sustainable agriculture model. I urge that USDA support a major expansion of investment in farm based renewable energy.
2. The United States Energy Policy Act of 2005, according to dispassionate third party analysis, provides a relative paucity of farm renewable energy support benefits. If the USDA is going to promote the wide ranging benefits of renewable

energy for the farm community, it will need to do so directly via its own set of legislative mandates within the next Farm Act.

3. The quantity of fresh water usage and impacts on fresh water quality are of increasing consequence for agriculture. The next farm act is the right time to begin to design greatly expanded market based water programs which provide direct rewards to farms for water usage reductions and water quality impact improvements.
4. Human caused global climate change is a fact of 21st Century existence. There are multiple ways in which the next farm act can proactively create tangible rewards to greenhouse gas emissions reductions which result from the agricultural community. Attention must be paid to this source of benefit and to creating tangible rewards for reductions of emissions within the agricultural community. This is both complex and important and will require some strategic wizardry to successfully integrate throughout the next farm bill, but it can and must be done.

The Same Four Points Repeated in A Slightly Different, Longer, Form

My first of four points today is very simple. Section 9006 has unambiguously demonstrated that farm based renewable energy investments produce impressive returns far beyond the investment costs. The returns take four forms. There are three macro level benefits: the energy production, the environmental benefits, and the economic benefits to the rural communities. The fourth benefit is to farms owning renewable energy projects. The farm project owners are finding that with the assistance of federal funds to overcome the front-end capital cost hurdles, these renewable energy projects can provide an entirely new set of stable positive operating cash flows and farm operational improvements.

I urge you to dramatically increase this funding component in the next farm bill.

My second and related point is that USDA is uniquely suited to help propel a major renaissance of agricultural economic prosperity through strong action to increase the production of farm based renewable energy of all types. Mostly the focus should be on bioenergy such as anaerobic digestion, crop fermentation energy, liquid fuels (that is biodiesel and ethanol) and energy crops for other means of direct conversion to energy forms:

Here in Vermont, we have an approved 9006 anaerobic digester grant project, for the Deer Flats Farm of Pawlet Vermont, which will help to demonstrate the leveraged economic potential inherent in digesting/fermenting a mixture of crops and manures. A mature technology from Germany will have its first U.S. implementation through this project and a sister project in New York.

The USDA and the farm bill must aggressively support this potential for farm based renewable energy in order for renewable energy to be, as it can be, the linchpin of the new long-term model of farm sustainability.

There is a profound urgency to this call to action.. The USDA must take the lead or the transition will be delayed, which undoubtedly will lead to lost opportunity and a weakened farm sector. Last week, I attended a two hour teleconference on the Impacts on Renewable Energy Resources of the Energy Policy Act of 2005. This teleconference sponsored by the Environment, Energy and Resource Section of the American Bar Association offered a balanced, dispassionate analysis. In spite of certain renewable energy provisions within the Act, the diverse perspectives shared on this call revealed the paucity of benefits to the renewable energy sector. The USDA, through its efforts to direct resources to farm based renewable energy via the next farm bill, can help the agricultural sector to overcome this unfortunate limitation..

My third point is of unrelenting importance. Personally I have only recently awakened to the central role of agricultural in the protection of our long-term fresh water resources. With world grain crops showing limited or no growth for the last half decade and the formerly abundant world grain buffer stocks being substantially depleted, ones attention is drawn to India, China, and the U.S., together the source of over 50% of world grain production. And in each country, the deep, fresh water, aquifers underlying the grain regions, are being radically drawn down. These aquifers, unlike water tables which refresh rather rapidly with abundant rainfall years, only replenish themselves on geologic timescales, that is, very, very slowly. Our agricultural water use is far beyond sustainable levels.

The next farm bill must begin to address this overarching agricultural issue for the well being not only of the agricultural sectors, but the world communities they feed. This next farm bill is an excellent opportunity to integrate market based incentives for water quantity and water quality improvements.

My fourth point is very simple. Agriculture can play a significant role in greenhouse gas emissions reductions and sequestration. This will help us to fight the destabilizing climate changes now underway and this will allow us to monetize the creation of credits, benefiting the entire sector significantly. The next farm bill offers an enormous opportunity to integrate this issue in multiple ways.

Thank you very much for the opportunity to speak.

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