



Agricultural Outlook Forum 2007—Agriculture at the Crossroads: Energy, Farm & Rural Policy

Distinguished Plenary Panel “Renewable Energy—Inroads to Agriculture”

Remarks by Patricia A. Woertz, Chairman and CEO Archer Daniels Midland Company

Good morning. I’m very pleased to participate in the Forum and join my distinguished fellow panelists as we consider the state of agriculture and renewable energy.

I noted that this Forum dates back to 1923, and coincidentally, my company was incorporated as the Archer Daniels Midland Company in 1923! Also, *Time* Magazine was launched in March of 1923. Apparently, it was an auspicious year for new ventures! It was also a good year for agriculture.

That first issue of *Time* Magazine had a story on farm credits, which opened with: “It is conceivable that the 67th Congress will pass legislation favorable to the farmer before it adjourns.” I also found, in a *Washington Post* article that same year, the Department of Agriculture’s outlook for the year, which was that “the general agricultural situation is full of promise.”

Well, as we look at “the general agricultural situation” today, we think it is once again “full of promise.”

In fact, we see two significant, global trends that suggest that agriculture will remain the focus of intense interest, investment and innovation for many years to come. USDA has identified the first trend—and that is that by mid-century, global population will grow by 50%, but demand for food will double as rising incomes in developing countries allow for more protein-intensive diets.

The second trend is noted by the Department of Energy. Also by mid-century, energy from traditional sources will be insufficient to meet projected global demand. And traditional refining capacity, in the U.S. and globally, will be insufficient to meet motor fuel demand.

Put simply, the world will need more food and more energy...from diversified sources.

Today, there is a growing desire to see agriculture lead in meeting both these demands. And more. Because, at the same time as we see a need for more food, and more energy, there is also growing desire for energy security, for environmental improvement, and for strong, economically viable rural communities. So, with all due respect to those who titled this Forum “Agriculture at the Crossroads” I’d like to suggest that “crossroads” may not be the best metaphor, since it implies choosing one or the other of diverging paths. Rather, I’d like us to envision an intersection—a “Y” intersection where two paths meet and flow on as one. One agriculture, with the support, the innovation and the investment necessary to provide for all of these critically important needs.

At ADM, we feel we are uniquely positioned within this Y intersection with the ability to serve the growing demands for both food and fuel. Our approach is to see these global needs--for food, heat, light, mobility, security and a healthy environment holistically. To see them all as fundamental human needs, that are—in fact—interconnected.

And we believe that, in viewing them—and valuing them—holistically, we will find the best solutions. As we look for those solutions, we see broad and growing political, societal and industry support. The benefits of renewable energy are more recognized and appreciated than ever before.

- These fuels are good for people—adding to the fuel supply.
- They are good for the environment—reducing greenhouse emissions and providing a positive energy balance.
- They are good for agriculture—creating greater demand for crops and increasing farm income.
- And they are good for energy security—providing renewable, sustainable, grown-at-home energy.

I believe we have moved beyond the question of whether or not renewable fuels will play a role in our energy future. Today, the questions are: how big can renewable fuels become, how fast can we get there, and what will it take? To address these questions, let me start with where we are today.

And I’ll begin with biodiesel because it is less well known. Although there is a well developed biodiesel market in Europe, it is in more of a start-up mode here in the U.S. We believe that, as feedstocks develop, the biodiesel market will grow and has the potential to make a meaningful contribution to our nation’s diesel fuel supply.

In the U.S., corn-based ethanol is the here and now biofuel. Today, U.S. ethanol capacity is 5.8 billion gallons annually, surpassing the current Renewable Fuels Standard. We believe that ethanol can grow to replace 10% of gasoline consumption in America—which would take us to about 14 billion gallons--with corn continuing as the primary feedstock. To reach this full 10% blend in the nation’s fuel supply will require continued advances in agricultural practices and seed technology and these advances are coming. USDA data shows that there are more than 450 corn seed field trials underway. And—to put that in context—that’s more than four times the number of trials related to soybeans—the next highest area of research. We also believe that additional acreage will be needed, and we see corn prices attracting that acreage. The National Corn Growers Association estimates corn acreage will rise by 8-10 million acres this year.

Clearly, many share our view that corn ethanol—along with biodiesel--will continue to account for a significant percentage of biofuels for years to come. At ADM, we are working to build this future. We are investing \$2.5 billion dollars in new facilities, including two new dry-mill plants to increase our ethanol capacity, two new biodiesel plants here as well as one in Brazil, and in additional railcars to increase our transportation network which is already one of the nation's largest.

As we advance the potential for today's biofuels, we recognize that there is desire to see biofuels meet more of our needs than can be supplied by current feedstocks alone, particularly if we are to achieve the goals of energy security and environmental improvement.

The President's call for 35 billion gallons by 2017 and other proposals in Congress that call for even greater production are visionary proposals. They foresee a future where cellulosic ethanol, corn ethanol, biodiesel, as well as other alternatives, all play a part.

We share this vision. We know that the future of energy is not in a single feedstock or even a single product; it is in diversity of supply. To play a significant role in this diverse future, the BioEnergy industry must create technological breakthroughs, including those that allow for fuel from cellulosic or waste sources to be produced in commercial quantities.

At ADM, we are already doing cellulosic research on current feedstocks. Our process involves thermochemically treating corn hulls—or cellulose from corn waste—to allow part of the fiber to be fermented to alcohol. We believe this process would boost our production of ethanol by 15% without requiring an additional ear of corn. Cellulosic applications such as this, on existing feedstocks, may be as little as 2 years away. Other technologies, involving other feedstocks, may arrive in a 5-7 year time frame.

We strongly believe that advanced levels of federal R&D will be needed to reduce this waiting period and speed new solutions to market. And we believe funding for this research should be technology neutral, and feedstock neutral, and look for the best solutions from all options.

Along with the technological advances that will be needed, there may be a need for additional land beyond that in production today. We see opportunity for some land in the CRP to come into production, without sacrifice to the nation's land conservation goals. Goals we clearly share, and that we support.

As we look at the future of biofuels, we think it's important to outline some of the key supports and steps that will contribute to the rational development of this industry.

- We think a practical, efficient pathway to greater ethanol use may be to move incrementally—from a 10% to perhaps a 15 or 20% blend in the fuel supply. Incremental growth can make it easier and more convenient for drivers to fill their tanks with fuel that includes ethanol.
- Accordingly, we believe that if higher renewable fuel standards are implemented, they should be phased in to allow the new technologies, yield improvements and additional acreage that will be necessary to meet them.

- We think the current incentives for ethanol are working well to encourage the development of the industry and promote the growth of a stable supply chain.
- Overall, we think that policy initiatives should look to provide the consistency that encourages the substantial investment needed to make new, evolving industries viable.
- And ultimately, the BioEnergy industry will stand on its own in the marketplace.

As we envision the future for BioEnergy, we see it spurring extraordinary innovation, the kind of innovation that leads to significant improvements in product quality, in cost to consumers, and in the quality of life.

The development of new technologies, combined with yield improvements, point to the opportunity to produce more food and more fuel—and not just in this country, but throughout the world. We believe that is a future well worth pursuing and well worth adapting to short term bumps that may be experienced along the way.

We are enormously confident in agriculture’s ability and agriculture’s promise. We have been partners with farmers for more than 100 years, working with them to build new, strong markets for their crops. We have also been neighbors for those same 100 years, living and working in rural communities. We are invested in seeing a strong and flourishing agricultural sector—with the support and the safety net to fulfill the opportunities ahead.

To that end, I would like to address my closing comment to the students here today from the USDA Outlook Forum Diversity Program. As we talk about the promise of agriculture to feed and fuel the world, it is truly your future that we address. We hope that, where some will speak of challenges, you will see opportunity, perhaps a once-in-a-generation opportunity, to create viable, sustainable solutions to some of the world’s most pressing needs. And we hope that you will feel inspired to embrace this opportunity.

Thank you.