

**Langston University Small Farmers Conference
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**Thomas C. Dorr
Under Secretary for Rural Development**

Good afternoon. It is a distinct pleasure to be with you today. As you may know, I am a lifelong farmer from northwest Iowa ... Cherokee County ... and it's always a pleasure to get out of Washington, D.C. to visit with you.

It's an added privilege to be here with Brent Kisling, our State Director, and several of his associates from our Oklahoma Rural Development team. I'd like to recognize Kathy James (PIC), Brian Wiles (B&CP Programs Director), Tom Barber (Area Director), and Dawn Evans (Area Specialist). I get invited to give speeches, but these are the folks who do the heavy lifting. They do a great job, and speaking for all of us, we're proud to be YOUR partners in creating opportunity for rural Oklahoma.

There are many things we could talk about today, but I'd like to begin with a success story ... which is also a story about opportunity ... and a story about change.

This is a big story. It starts with success, opportunity, and change on a global scale. But it's also a local story. The effects are being felt right here, and everywhere else across the farm belt ... and our challenge is to help farmers, other rural businesses, and rural communities all across the country position themselves to benefit.

The success is this. Very simply, we won the Cold War.

I know that's old news. It's already almost ancient history. People take it for granted. But you know ... the effects of World War II didn't end on VE and VJ Days. And the effects the Cold War didn't end when the Berlin Wall came down in 1989. We are in fact living in the immediate shadow of a profound change ... a change for the better ... in the basic economic and political organization of the world.

This is, first and foremost, something to celebrate. It is a triumph of almost 50 years of American leadership, persistence, financial sacrifice, and above all personal sacrifice because there were many times when the Cold War turned hot ...

...and American servicemen and women laid down their lives in what President Kennedy, in January 1961 in his Inaugural Address, called the “long, twilight struggle.”

1961, as we now know, was still seven years shy of the mid-point of the Cold War. But in the end, once again in President Kennedy’s words, we “bore the burden and paid the price,” and American perseverance won the day. The Berlin Wall fell. And what has ensued is quite simply the greatest explosion of economic freedom in the history of the world.

Since the fall of the Berlin Wall, between 2 and 3 billion people have joined the world market system. This is a complicated thing. There are many transitions and many problems. A fair number of those 2-3 billion people have turned out to be formidable competitors. We are still working our way through those adjustments.

But fundamentally, the world is an immensely freer, wealthier, and more hopeful place than it was 30, 20, or even 10 years ago.

Hundreds of millions of people, many of them in historically impoverished countries, are now joining the global middle class. The two fastest growing major economies in the world today are China and India, which together constitute one-third of the human race.

There is a lot of good news here. For one thing, the first thing people do as they move up the ladder is eat better. Then they buy cars, but first they eat better. Diets are improving. This is driving commodities prices and the ripple effects touch just about everything in agriculture.

There will be many adjustments to be made, but ultimately this is a tremendous opportunity and an historic success story, one for which the United States is very largely responsible.

Now, some of you may be wondering what in the world I am doing ... here in Oklahoma City, at a meeting of farmers ... talking about India, China, and the end of the Cold War. The answer, I would submit, is that the global restructuring that has occurred since 1989 is ultimately the underlying factor driving our discussions today.

Just consider the current big headline issues in agriculture ... such as renewable energy, the food versus fuel debate, and the Farm Bill.

The bottom line is this ... all of these, very clearly, are being driven by reactions to the new reality of 6 billion people competing in an internet linked, global market dominated by rapid technological change and the universal desire to build a better future for themselves and their children.

This is the context of the Farm Bill debate. I know the Farm Bill is of interest to you, but I'm going to step lightly because it's still up in the air. The Congress, almost six months late, has finally passed a Farm Bill. The President **has vetoed it. Whether the veto will be sustained ... and if it is, what comes next ... I don't know.**

But the issues are clear. The President a year and a half ago offered a Farm Bill proposal that looked forward to the new, dynamic, post-Cold War world that I've just described.

Just tick down the scorecard. Farm incomes are at a record high. Farm exports are at a record high. Commodity prices are strong. Farm equity

has more than doubled since President Bush took office. Demand is surging around the world ... and this is going to continue.

The President recognized, correctly, that this adds up to a new ballgame for agriculture, with new problems, new issues, and new opportunities.

He therefore proposed forward-looking, new initiatives for renewable energy, for conservation, for rural infrastructure and health care, and for assisting beginning and socially disadvantaged farmers.

At the same time, he also proposed to modernize the safety net ... to cap eligibility for farm programs at an adjusted gross income of \$200,000 ... to focus assistance on folks who actually need it ... and to reduce trade-distorting subsidies that open U.S. exporters to legal retaliation under international trading rules.

The President recognized that American farmers are the most productive in the world ... that we can compete with anyone ... and that the future lies in orienting agriculture and rural America to new opportunities rather than continued dependence on a federal check.

The Congress, unfortunately, took a different approach. If the President looked forward, the Congress, very clearly, looked back. For example, at a time of record farm incomes, record farm equity, and strong prices ... with average farm incomes well above the national average ... the Congress chose to increase farm subsidies.

One result ... one that we're already seeing if you read the editorial pages around the country ... is an erosion of support among the broader public for the farm safety net. Congress is playing a dangerous game.

The Congress also walked away from the President's call for more conservation. The Congress provided nearly \$4 billion less for conservation than the President proposed, reduced enrollment in the Wetlands Reserve Program, and dismantled the President's "sodsaver" proposal that would have protected native grasslands.

It gets worse. As I just mentioned, President Bush proposed to refocus and target the safety net to benefit folks who need it, with an income cap on program eligibility at an adjusted gross income of \$200,000. The

President subsequently offered to compromise on a higher figure of \$500,000. But the Congress set the limit at \$1.5 million for a married couple ... this again at a time of record farm incomes.

On the humanitarian front, the Congress' bill even restricts international emergency food aid. The President had proposed that, in emergencies, up to 25% of aid could be purchased locally, which would get help to hungry people faster and would also be good for small producers in third world countries. The Congress balked at that.

Last but not least, in a period of tight budgets, the Congress' bill is \$20 billion over baseline and riddled with accounting gimmicks to hide the cost. So for all these reasons, the President **vetoed the bill. Again, whether the veto will be sustained or overridden, I don't know.**

The larger point, however, is that these policy differences, I submit, are really a debate between those who are willing to look forward with confidence to a world of rising living standards, rising trade, and strong demand ... versus those who are essentially looking inward and backward and seeking to erect barriers against competition and change.

The same dynamic is at work in the current debates about renewable energy and food vs. fuel. When the Berlin Wall crashed down, those of us in agriculture anticipated that one result would be the opening of very large new markets for American farmers. We got that part right.

But at the same time, back in the 1980's and 1990's, we frankly failed to anticipate ... governments, businesses, and analysts of all descriptions around the world failed to anticipate ... the extraordinary surge in third world economic growth and energy demand that has also occurred.

When the game is changing under our feet, there is a price to be paid for a failure to anticipate the change. We're now paying that price in the form of \$130-plus oil and gasoline prices approaching \$4 a gallon. I know you see it in the price of diesel and fertilizer. So do I.

20/20 hindsight is a wonderful thing. In retrospect, there is no mystery to this. Global demand for oil is surging. China is already the world's second largest automotive market and oil importer. Meanwhile, conventional oil is getting ever-harder and more expensive to find and

develop. I can remember driving halfway across the country for less than \$30. I'm not sure my grandchildren are going to believe that.

But the other side of the story is that high oil prices are a market signal. The signal is to find alternatives. This is an opportunity as well as a challenge, and it's an opportunity especially for rural America because renewable energy is largely rural energy. We're responding. Since President Bush took office:

- Production of ethanol in the U.S. has quadrupled, and we're starting to bring cellulosic ethanol online. This will move ethanol beyond the corn belt and make it a truly national resource.**
- Biodiesel production has increased from 2 million gallons to 450 million gallons last year.**
- The United States leads the world in geothermal, solar thermal, and waste to energy. Photovoltaics is still a very small fraction of overall electric capacity, but it is growing rapidly. Photovoltaic shipments are up tenfold since the beginning of this decade.**

- **U.S. installed wind capacity has increased seven-fold, also since 2000. We have led the world in new capacity for the last three years running, and we are on track to overtake Germany as the overall leader in wind energy by the end of next year.**
- **This, by the way, is a big opportunity for Oklahoma. You have wind. Texas is the nation's leading wind energy state thanks to a Renewable Portfolio Standard signed into law by then-Governor George Bush back in 1999. Oklahoma is in the second tier ... number nine on the State list with 689 Megawatts. That by the way would have been good for third place just four years ago, which shows you how fast this is moving.**
- **I'm not an expert on Oklahoma, but Brent tells me you don't like to run behind Texas in football or anything else. So wind is an opportunity for Oklahoma, and not just for the utilities ... it's an opportunity for landowners, for REC members, and for other rural investors who want to participate.**

So here again, we see the rules of the game shifting beneath our feet.

And the choice is clear ... we can recognize, embrace, and profit from change ... or we can throw up barriers and try to hide.

So my message is simple. This is an historic opportunity for rural America ... probably the greatest new opportunity for wealth creation in rural America in our lifetimes. This is change, big time.

We're not retreating from our traditional commitments, but the opportunities have gotten bigger. We are still eager to partner with you on Value-Added agriculture ... on community facilities and housing and health care ... on water and wastewater ... and all the rest.

But as we do, we need also be keep our eyes on these new opportunities as well. Whatever happens as a result of the Farm Bill, we are dealing with a radically changed environment for agriculture and rural development. This is not business as usual. This is an enormous opportunity for those who are prepared to participate. It's an exciting prospect ... and we look forward to working with you to increase

**economic opportunity and improve the quality of life in rural
Oklahoma, and all of rural America. Thank you.**