

Good afternoon, my name is Donald Cotner. It's a pleasure to speak with you today and I appreciate the opportunity to talk to you about the status of Pennsylvania agriculture and the potential implications of the upcoming Farm Bill. Pennsylvania has a dynamic, vibrant, and robust agricultural industry - it has its share of challenges and obstacles - but the future of Pennsylvania agriculture is bright if we plan and prepare properly.

First off, I'd like to provide a very brief background of myself. I grew up on a family dairy farm in the central part of the state - where I still live today. In my early twenties, my family decided to sell the cows and we began an egg production business that we have grown over the years and are still operating today. Throughout this time frame we have also annually grown about 1300 acres of corn, soybeans, and wheat. Recently, we began a commodity trading and soybean processing business serving the northeastern US feed industry and the emerging biofuels industry. Additionally, I serve as a director for AgChoice Farm Credit and for PennAg Industries Association. AgChoice Farm Credit, as part of the Farm Credit System, provides financing and financial services to rural Pennsylvania. PennAg Industries is a trade association which provides political and operational services in support of agriculture and related industry in the state.

These experiences have provided me with a comprehensive understanding of Pennsylvania agriculture. I tell you these things to let you know that I am qualified to make some suggestions as to the future of Pennsylvania agriculture, the direction we should be headed, and the goals we should set.

### Background/Opportunity

Agriculture represents the largest industry in Pennsylvania - generating nearly 5 billion dollars in revenue annually between crop production, fruit and vegetable production, and livestock and poultry production<sup>1</sup>. Rural Pennsylvania, the T as it is often called, representing the area of the state outside of Pittsburgh and Pennsylvania, is directly dependent upon this revenue and the jobs the industry maintains. Furthermore, the entire state, as well as much of the northeast and the country as a whole, is dependent upon the food produced in Pennsylvania as a result of its agricultural industry. The importance of Pennsylvania agriculture can not be underestimated. It is vital that the upcoming Farm Bill gives consideration to the farmers and related ag-businesses within our region.

Recently, the Farm Credit System completed a comprehensive study of rural America called "Horizons". The Horizons Report indicates that the dynamics of today's farms and farming lifestyles are rapidly changing. The study found that farm families must become more entrepreneurial and/or seek additional off-farm income to remain viable and afford to continue farming. It is critical that the new Farm Bill considers these changes.

One of the main goals of previous farm bills has been to preserve rural America, to preserve family farms, and to preserve a standard of living for smaller agricultural operations that are finding themselves increasingly competing against much larger conglomerates. I think the new Farm Bill should strive to do the same - to focus on sustaining and strengthening rural

America. However, the policies put in place in previous Farm Bills have not been effective towards this goal.

The current income support programs have become unjustifiable and politically, legally and economically unsustainable.

Rather than use subsidies and emergency payments to maintain rural agricultural economies, I believe it is necessary to promote growth through economic incentives. Direct payments, counter-cyclical payments, and loan guarantees do not stimulate entrepreneurial thinking. They don't create progressive alternative markets and they mask true economic conditions by bailing out outdated and inefficient operations. This is especially true of crop production in the Northeast. However, the emerging bio-energy markets present a tremendous opportunity to reverse the current conditions of agriculture in our region.

In order to energize our local agricultural economy we must stimulate local corn and soybean prices. Rather than reduce supply to achieve this goal - as is the target of federal crop reduction plans that in effect discourage agricultural growth and progress - we need to spark corn and soybean demand. The present fuel crisis presents a great opportunity to do just that. Ethanol and biodiesel production within our region would eliminate any locally produced annual surplus, would create buyer competition for our farmers' corn and soybeans, and put profits into the farmer's pockets.

For each 5 cent increase in corn basis, an increase of \$8.25 million in revenue would be realized<sup>1</sup>. For each 5 cent increase in local soybean basis, an increase of nearly \$1 million in revenue would be realized<sup>1</sup>. A five cent increase in either commodity is an extremely conservative assumption given the demand that could be generated by the bioenergy markets. It is not an unrealistic assumption that upwards of \$50 million could be pumped into the Pennsylvania agricultural economy annually with the local introduction of ethanol and biodiesel.

Why send that money to the Middle East when it can remain here and help to strengthen our own economy?

## Goal

These are the opportunities available. Without question, government assistance will be required to overcome the establishment and startup costs inherent in the biofuels industry. Government assistance will be required to not only sustain but strengthen our local agricultural economy. The programs that are put into place in the new Farm Bill must promote growth and increased market competition - not simply maintain the depressed agricultural economies as previous policies have done.

The new farm bill needs to promote the agricultural community to get involved in ethanol and biodiesel from the beginning to the end of the cycle, from farmers to consumers.

PA agriculture needs to see incentives that encourage involvement from farmers to plant more

acres of beans to be sold into biodiesel plants and more acres of corn to be sold into ethanol plants. I would encourage programs for farmers that commit to produce for the biofuel industry.

PA agriculture needs government support for ethanol and biodiesel startups. I would encourage continuing grant programs and tax credit programs for bio-based fuel producers and blenders. These programs would help the startup businesses to overcome the initial high capital costs and inventory requirements.

PA agriculture needs a Farm Bill that encourages the community to use biofuels. Actively promote it. Reward the farm community to use it. Consider reducing taxes on bio-based fuels. Set reasonable, yet progressive biofuel usage mandates in public transportation and the railroad industry. Possibly tag funding for public awareness programs on the merits of ethanol and biodiesel.

1. - Pennsylvania 'Ag Snapshot' 2005, Pennsylvania Agricultural Statistics, 2005-2006, USDA National Agricultural Statistics Service - PA Office.