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DEVELOPMENTS AT THE AARC CENTER

AARC is an acronym that stands for Alternative Agriculture Research and Commercialization. AARC center's purpose is to generate widespread interest and profitable investment in developing and commercializing new industrial and consumer products that use farm and forestry materials -- with preference for projects that benefit rural communities and are environmentally friendly.

The AARC center exists as an independent entity within the U. S. Department of Agriculture. On March 6, 1992 Secretary Madigan appointed the AARC Board with seven of the nine members representing the private sector. The Board has knowledge and broad experience in marketing, product development and technology.

The Board convened its first meeting on April 13-14. At that time, I was elected chair, and the Board asked Dr. Paul F. O'Connell to serve as Acting Director. The Board has since made Dr. O'Connell's appointment permanent.

1. Presented by Martin Andreas, Chair of the AARC Board and Senior VP at Archer Daniels Midland in Decatur, IL. Mr. Andreas is a member of a panel at the 1993 USDA Outlook Conference that is Entitled "Business Update on Farm-Based Industrial Products," December 2, 1992.

AARC's Operating Principle

The AARC Board concurs with a recent report issued by the National Academy of Science. The report, entitled The Government Role in Civilian Technology, found that private industry is better suited than public institutions to determine market winners. The report points out that cost sharing is one of the most effective ways to ensure that a project will achieve market success. We agree. While the level of costsharing may vary from project to project, the Board will give great weight to the level of financial resources involved in determining which projects to support.

The AARC concept is right for the times. With increasing international competition in the marketplace, public-private cooperation and partnerships are critical to the quick and effective movement of new technology from government and university laboratories to the marketplace. I firmly believe that the central operation principle of AARC must be cooperation with the private sector. In essence, AARC is a service organization dedicated to assisting private industry accelerate the development of economically viable new agriculturally-based products and materials.

Public Hearings

At the first meeting of the AARC Board we scheduled eight public hearings to obtain input before we contemplated policy and program decisions. These were held in Iowa, Georgia, New Jersey, Oregon, California,

Minnesota, Kansas, and Texas. The Board heard from more than 200 individuals and organizations. We heard from Commissioners of Agriculture, processors, manufacturers, farmers, entrepreneurs, farm organizations, commodity groups, cooperatives, foundations, universities, and state legislators.

The Board was impressed and encouraged by the enthusiasm of witnesses for the AARC approach. We were urged by many witnesses to take a leadership role, to make it happen, to help turn ideas into marketplace successes. The AARC Center has since adopted the motto "Make It Happen." We heard from witnesses that many rural economies need an economic "shot in the arm" and that new, industrial, non-food, and non-feed uses of agricultural materials can help provide that medicine. We heard repeatedly that the AARC Center should be a catalyst, a coordinator, and a facilitator for finding new industrial uses for traditional and new crops, animal by-products, and forestry materials. Some witnesses told the Board that more fundamental research is needed to support new product development and we believe that to be true. However, the majority of the witnesses identified pre-commercial demonstration and testing activities as the most critical area for AARC's focus.

We heard that new technology by itself does not assure market success. One individual, involved in the business of commercializing research, noted that in recent years knowing the changing market needs have been

five times as effective as technology development in launching successful new products or processes.

Themes that were replayed throughout the hearings included:

- Operate like a business;
- Maintain independence and avoid bureaucratic thinking;
- Keep the application process simple and minimize red tape;
- Leverage your resources; and
- See yourself as an economic development organization.

Request and Review of Proposals

We were mindful of the many suggestions as we developed the Request for Pre-Proposals announced on August 17 in the Federal Register. In addition, the AARC Center distributed the announcement to several publications and mailed it to over 2,000 individuals, including all who provided their names and addresses at our public hearings.

The closing date for submitting preproposals was October 30, 1992. Over 400 were received -- requesting over two hundred million dollars of assistance -- that will compete for the ten million dollars of available AARC center funds. The number of pre-proposals submitted demonstrates the

strong need for such assistance.

During November the pre-proposals have been going through a thorough review process in line with the enabling legislation and guidelines from the board. Three outside specialists with at least one with business experience and another with technical knowledge, plus the AARC center staff are reviewing each pre-proposal. After considering the comments of the reviewers and using their own judgement the AARC board will meet in mid-December to select the pre-proposals that best meet the established criteria. Full proposals will be requested from the successful pre-proposals before the AARC Board funds a project. Announcements of funded projects are expected by February, 1993.

Regional Centers

The public hearings documents strong interest in and support for regional centers. The Board believes that Regional Centers, if handled properly, can be a valuable asset in carrying out the mission of AARC. As your know, the fiscal year 1993 appropriation of \$7.25 million triggered the statutory requirement for establishing centers. At a recent meeting of the Board the regional center issue was discussed. After considerable discussion the Board agreed that a regional center must be proactive, results oriented, and a champion of agriculture and Rural America. Staff was directed to develop recommendations and evaluation for the Board to use

in selecting Regional Centers and monitoring their performance. A formal Request for Proposals for regional centers is under development and will be released soon.

Strategic Plan for AARC

To guide our actions and to carry out the total scope of the AARC program a strategic plan was prepared. As government plans go it is fairly short -- being only 10 pages long. It presents the beliefs and values of the AARC center along with goals and functions. Although funding of promising projects is a central focus of AARC, there are other necessary activities if Agriculture is to become a major provider of renewable materials for industrial markets.

1. Being a catalyst, facilitator and Coordinator

- this can be done by enhancing cooperation, building and rewarding teamwork and demonstrating the environmental advantageous of using renewable materials

2. Building Private/Public Partnerships

- breaking down the institutional and cultural barriers to joint development of promising technologies that produces jobs and economic activity in rural america

3. Information Exchange

- facilitate the collection and dissemination of information concerning new industrial uses of Agricultural and forestry materials

In Conclusion:

Many opportunities exist to expand new industrial uses for the renewable materials that can be produced on our farms and in our forests. We need to bring to bear science, technology, and "market sense" to identify and produce products in the most cost effective way possible, and identify and support product champions. Finally we need to encourage and facilitate cooperation and partnerships among government, universities, industry and agriculture. If we can accomplish these things, I believe that we can, "make it happen."

Thank you for inviting me to Agriculture Outlook 93 and being a member of the panel on "Farm Based Industrial Products."