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Transcript of remarks by Indiana Governor Mitch Daniels
To the USDA Agricultural Outlook Forum
Arlington, VA
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GOV. MITCH DANIELS: Mr. Secretary, I thank you. I thank you for this terrific privilege, somewhat daunting one, to be here. I hope to represent my state well, and not disgrace you and those who extended this wonderful invitation.

I do come from a state with a long and strong agricultural tradition, one which I love to revisit for myself on a frequent basis. I still travel the state, the state that I have been in every one of those counties over and over and over again now, and I make that a constant practice. And I was out again this week. One of my quirks is that I never have stayed in a hotel. I descend upon unsuspecting Hoosiers or -- in their homes.

[Laughter.]

I have mooched on people of all kinds in our state.

[Laughter]

But a healthy fraction of those folks have been in agriculture.

And I stayed in an idyllic 137-year-old homestead farm, cattle and grain operation in Bloomington, Indiana. You know where that is.

It's not just our tradition which is long and strong. The people in Indiana agriculture tend to be that way too. I've got lots of examples of this. Among my favorites, I stopped one night in the tiny crossroads called Sandborn. We saw the one gas station that they have and stopped the RV just to say hello. A great big tall strapping looking guy but obviously up in years, in his bib overalls, was there. And I said hello, and I said, educated guess, I said, "Are you in agriculture, Mr. Yagley?" All my life, he said. And I asked him about his operation, and it was reasonably sizable as I can recall, hundreds of acres. And I politely said, "Well, a good-sized place."

I said, "In the family?" He said, yes. I said, "Oh, well, I'm a guessing, does your son help you do this?"

And he said, "Oh, well, he did, but he ain't much use anymore. He got too old. My grandson does now."

Turned out, he was 94 years old.

And just to make you feel even younger and more hopeful, I have to tell you that I visited another producer of an Indiana farm, and took New Year's lunch to the oldest living Hoosier. She is Bertha Frye. She now lives in Muncie, Indiana. She grew up on a farm as most Hoosiers of her day did. And Bertha is a sprightly 113. In fact, she is, so say the people who claim to track this stuff, the 8th oldest person in the world. She was number 9 when I was there, but I read where some fellow in Paraguay has gone on and --

[Laughter.]

So she's at least number 8.

One of my friends says, you know in that ranking you could go from 8 to 1 overnight!

[Laughter.]

Anyway, I have to tell you about Bertha. We had a great talk. I mean, this lady walks to every meal. They tell me about a third of a mile if you added it all up, three meals a day. Walks upstairs once a week and goes to some sort of Tai Chi class or some exercise thing. And she carries on a great conversation. After lunch broke up, some fellow from the local radio station came over to kind of capture the occasion, and I overheard him ask her a couple of questions. And he said, "Oh, Mrs. Frye, 113. All the history you've lived through. I mean, what stands out?" And she mentioned two or three -- VE Day was in there. She said, "And of course the assassination of the President."

And he said, "Oh, yes. Well, all Americans who were alive then remember the day President Kennedy was shot."

And she said, "No, young man. McKinley!"

[Laughter.]

She told the story of being 7 years old, coming home from the schoolhouse. There's no radio, and nobody believes her when she reports the President's been shot.

So anybody in the room is going a little over the hill tonight, relax. You can wind up like Bertha.

So maybe this wonderful invitation came because of the state that I come from, and this proud history that we have. I still have been asking myself as the day approached, you know, why this opportunity should come to me.

I do not pass myself off as an expert in these subjects as you will soon see, but we do tell the story at home about the farmer in a similar position. After a wonderful life, lots of blessings, suddenly everything went wrong. Pestilence took all the animals. He'd just absorbed that blow when a drought began and killed every crop, every bushel. On the

back end of the drought, a tornado came through, demolished the house, the barn, all his possessions. He was desolate. And in his despair he went out in the parched, empty, barren fields in the wake of the storm, threw himself on the ground and said, "Father, I've been devout. I can't take it anymore. Please tell me, Why me? Why me?"

And the thunder rolled and the lightning flashed, the clouds rolled back, and booming voice from the Heaven said, "I don't know, there's just something about you that ticks me off!"

[Laughter.]

So I hope that Secretary Johanns will not be ticked off either at me or at the program planners in another few moments. But let me just tell you how honored I am to follow in the line that Secretary Collins mentioned of illustrious people who have been here.

I do come to you, not as an expert but an enthusiast about agriculture, about agribusiness, about rural Indiana at least. And I hope that the opportunities we see are not illusory, and I hope they are not at all limited to our state.

We have come to some conclusions in the administration, which I have assembled, that have been described by, 0 for 1, the president of the Indiana Farm Bureau as the most pro-agriculture administration in his lifetime. We did not get there by way of sentiment or in any emotional way. These are decisions of the head and not the heart.

We had a lot to do in our state, a lot of catching up to do in many dimensions, and we will not spend our energy on goals and objectives that we don't think will get us there.

But in what I believe is a clear analysis we hold to the position that this is exactly the wrong time to give up on agriculture or rural Indiana, the very last time in our history when we should be thinking of retreat or retrenchment.

Now this may not qualify as a contrarian point of view. I'm sure I'm far from unique in holding it, but as I at least look around the terrain in this country, it does not seem to be the common pattern. In some respects we seem to be moving a little against the grain. Any literature search that I do finds more, finds a lot of pessimism around. The great publication The Economist did a big survey just a little over two months ago, about Christmas time, almost unrelenting in its negative prospect, its negative assessment of what is going on and what is likely to in rural America.

Even sympathetic studies of the outlook of organizations who hope for success in rural America write lines like this one: "The truth is that rural communities are increasingly invisible in a mass society that is fundamentally preoccupied with its urban identity."

A friend of mine says that an optimist is a person who says, "This is the best of all possible worlds!" And a pessimist is one who replies, "You're right!"

Now -- do you need a moment for that one?

[Laughter.]

Nobody says this is the best of all worlds for agriculture or rural America, but you may mark us down in our state as believing that better times are ahead and in fact are arriving.

More surprising to me than pessimism -- which after all there is plenty of evidence and plenty of reasons for apprehension, there have been plenty of setbacks -- but even more surprising to that has been to discover as a new governor that in many states with equally strong agricultural sectors and traditions, the policies that are in place or seem to be ascendant are restrictive or even hostile to agriculture.

This may be something everyone in the room knew, but until a couple years ago when I began paying attention, closer attention to what our 49 competitors are doing, it came as news to me. I'm talking about things like limits on livestock production or even moratoria. I'm talking about limits on, quote, "outside capital," and not just limited to ethanol plants.

I'm talking about the sort of restrictions on biotechnology that I thought were the province of Old Europe and other declining parts of the world. And I was stunned to find out that in another tremendously productive agricultural state, someone almost got elected commissioner of agriculture on an overtly antigrowth, "anti," quote, "industrial agriculture platform."

And this leads me to wonder, am I missing something, or what are these folks thinking?

Well, let me tell you the outlook in our one state. First of all, just a little bit about our state. We have hardly been immune to the trends that have affected much of America. We are and have been for a long time the most manufacturing-intensive state in the country -- that is to say, manufacturing jobs as a percentage of total jobs, manufacturing income over total income, number one. So you can imagine what has happened is the economy is transitioned to produce a lot more stuff with a lot fewer people, just as agriculture did before it.

And more than anything I suppose this is what motivated me to run for public office for the first time in my life, and what motivated a lot of outstanding people to come and help us try to do something about it. The single biggest, single most important metric to us is this, that 30, 40 years ago the average Hoosier out there and the average American [inaudible] and today earns 90 cents on the dollar that the average American takes home.

And so we are intense as a primary goal above and beyond many others as a central organizing of strategic objective of our administration to raise over time the income of Hoosiers. That will only happen if among other successes we diversify our economy and if we correctly identify and grow and develop sectors and opportunities for economic growth, places at which we can maximize any competitive advantage we may have.

We have written an economic strategy for our state in business, which is where I spent most of my time. But between sporadic sentences of penal servitude in the federal government -- we always tried to discipline ourselves to remember that a strategy worthy of the name must leave out some important things. In fact, a strategy can almost be defined by what it leaves out. And when you run across anybody's strategy of any kind that seems to have a little something to say about every subject, then they probably will not be a very effective operation.

So we've done some thinking about it, and we leave out a lot of important things in terms of emphasis in our state. We don't imagine we will be the IT capital of the world. We don't imagine that we will be first in financial services or consumer electronics or tourism entertainment. We're not interested in those things. We'll seize opportunities when they come along; we do not see them as points of differentiation for our state.

What's in? Advanced manufacturing. We are on a hot streak the likes of which our state has not seen in a long time.

Logistics and distribution. We sit at a very fortunate location in the country, reach two-thirds of America in a one-day truck drive, the American population. And we have seen and successfully recruited and wooed now a host of new distribution centers and logistics businesses-- life sciences. We have a good head start in terms of several Fortune 100 companies in the pharmaceutical business, the medical device business, and in the animal health business, and we have the nation's biggest medical school, and we have Purdue University.

And among a very few other pillars of our economic strategy is agriculture. It didn't get there because we love farmers, although we do. It didn't get there because we revere our heritage, although we do. It got there because we think it's good business. We think that the opportunities for bioenergy, particularly in our state -- we think that the promise of biotechnology properly emphasized and eagerly embraced and transferred promptly across any relevant sector -- we think the demands for more protein in this world by a growing and ambitious and hungry world in its billions -- we think the interest of the capital markets in agriculture and in finding opportunities there -- we think this augers very, very well.

And so we are determined not to fight a holding action, not to minimize the damage, not to spend all our time running around putting patches and trying to ameliorate the regrettable decline of our small towns. But no, to drive aggressively for growth in agriculture and in related fields is at the heart of our hopes to be a stronger state five and ten and 20 years from now and leave that to our children.

Well, we've been busy. We have advantages but we know they will not market themselves. I used to work for Ronald Reagan. He used to go around telling the story about the farmer who began working some bottom land that had not been worked before. Took him a long time. He got the rocks out, he got the place leveled, he got the thing

plowed. And after three or four years he was pretty proud of it, had the preacher to dinner one night and took him out to show him all that. And the preacher got rhapsodic and said, Oh, those are the biggest tomatoes I've ever seen, praise the Lord. And he said, oh gosh, the size of that squash, the Lord has been kind. And that stand of beans, has not the Lord blessed this land!

Finally the farmer couldn't take it much more. He said, You know, Parson, I'm as devout as the next guy, but you should have seen what this place looked like when the Lord was taking care of it by himself!

[Laughter.]

So we knew we had work to do. If you can believe this, our state was one of three or four in America without a Department of Agriculture. So we created one. But I've discovered ours doesn't look like everybody else's or like many other states. It has regulatory functions all right, but that is not the mission I have given it. Its mission is to grow agriculture in the state of Indiana, to promote it, and to recruit it, and to try to drive its development.

We put in place incentives for the things we thought were ready to blossom in our state, specifically the production of alternative fuels, biofuels. And we sat down and wrote; as we had written an overall economic plan or strategy, we wrote an agricultural strategy. And we made choices. It is not a laundry list of everything that goes on or could go on in our state. But it does emphasize, it does select points that we believe are potentially matters of relative strength for us. And things are happening.

In the number four bean state and number five corn state in America, two years ago tonight we had one ethanol plant. And it was 20-some years old and dated back to the synfuels days. The biofuels revolution of course is happening everywhere, but nowhere any faster than Indiana, perhaps because we had all this unexploited potential. From one plant two years ago we now have 21 either in existence or on their way.

Yet our stretch goal at best underestimated our potential. We established a target of 1.4 billion gallons per year total production by the end of '08; by the end of this year we'll be at 1.8. We have under construction the largest biodiesel plant in North America. Ours again we know is not at all a unique story except perhaps in the pace, the rapidity of this change.

And of course what I love most about this development is that all of these investments are in or near the very small towns about which we have worried so much, about which we have anguished as they have struggled, lost jobs and lost population. Over and over at these announcements and ground-breakings we are talking about the largest investments, the largest infusion of new dollars, capital, and then operating in decades, often in the history of the town.

We chose a place-- we are home to a demonstration project called Biotown. I am a little

skeptical, to tell you the truth, of stunts. And I was a little cautious about this one at the beginning, but it's really a fine idea. Town of Reynolds, Indiana, over the course of this year and next and the year after will demonstrate the efficacy of generating 100 percent of all its energy from renewable sources. And the Secretary I hope is going to be there with us later this month when the nation's first digester ground is broken. All the electrical needs of that dairy will soon be supplied by biomass--- in fact, human and animal waste.

Let's talk hogs. Livestock, livestock production is a central part of our strategy, but we have specified pork as a place of special opportunity for us. Now I confess here to have established a rather intimate and personal relationship with hogs over the last few years as I've rattled around the state multiple times in all those 92 counties, I've had all kinds of encounters. I've slept on a lot of hog farms. I have called them, I have kissed them for charity.

[Laughter.]

I've had two or three named after me that I know.

[Laughter.]

Possibly the highlight of the 2004 campaign was up near Logansport, Indiana, where in the process of slapping a green "My Man Mitch" sticker on the back end of one hog, one of his cellmates so to speak nipped me in my back end.

[Laughter.]

I was only too happy when that story hit the paper along with a picture of me in the pen with the boys. It was a golden moment for a candidate.

[Laughter.]

But we believe and on the basis of hard information and a lot of research, that our state was capable of producing at least twice as many hogs as we were in the year 2004, consistent with maintaining the quality of life in Indiana.

And that's our goal -- to double hog production over 10 years.

For the first two years, we're on an 8 percent growth rate, so by the rule of '72 if we could keep that up we'd arrive one year early. And yes, there are problems to manage if you're going to grow that fast. Most of our counties did not have a land use plan in place, and we are moving quickly to try to see if that's possible. We've offered them, and we're working with them off a model of land use ordinance that we hope will bring confidence first to citizens and also to investors that siting can be done consistent with everybody's interest and good will.

And we are raising user fees so that we can provide more frequent and rigorous inspection so that people have confidence that once again the rules are being abided by and that the environment quality of life that they treasure in our communities are being protected.

Where livestock comes, processing follows. I'm fond of telling some of our city dwellers, Just remember, there's more margin in a hog than the corn you fed him and more margin in a pork chop than the hog that he came from. And we as a state have been woefully under-represented, we thought, in the places in agribusiness where value is added. And we are trying to catch up there too. And it is happening. As pork production goes up and people see an upward trajectory, we've seen growth in processing. We have now begun, we are certainly working hard on a host of others.

I'm not going to take you through our whole strategy but we see other specialty crops. For instance, one that may not come readily to mind but applies to us is hardwoods. A lot of value to be harvested from hardwoods thought of as a renewable crop, and we are hard at that. We have opened up our state forests to much more harvesting of particularly dying and rotting timber, all based on a careful forestry management plan. Our forests will be healthier, the wildlife in them will be healthier, and some of our lowest income counties are now receiving millions of dollars of income they weren't receiving before.

We are out to establish a brand around Hoosier hardwoods in places as far away as Japan.

And we are beginning to see the front edges of these things converging in counties that have needed hope for a long time-- Madison County, Indiana, which was once the capital of GM, has been hollowed out by the decline of former Big Three auto makers. Dairy production is way up and Nestles has just broken ground on a very large, state of the world processing facility.

And down the road, [inaudible], is there with an ethanol plant. West of there in the even smaller counties of Carroll and Cass, hog production is up and IPC has therefore expanded its capacity significantly. And just over the hill from there, Andersons is there with an ethanol plant.

These are the kinds of opportunities we seek to make happen in our state, and I hope that we are not alone.

Now, just a couple more thoughts. It is not just dollars from agriculture that will be necessary or are available, in my opinion, to bring life and hope, growth, back to Smalltown, Indiana, and the spaces in between. As I travel our state, it comes back to me over and over again that there has never been a time in human history when business was so affordable as today. There are just very, very few businesses that simply have to be in any one piece of geography. In fact, from most business today you can site your operation anywhere you like as long as you're near transportation to get raw material or customers in and product out and anywhere that you can plug in to the sufficiently broadband connections that allow you reach and be reached by the customers of this

world.

We've never seen a time when work follows people like today. Through most of human history, people had to follow work. No more. There's a little book that some of you will have seen and I've handed out called, "Life 2.0." It doesn't prove anything; it's very anecdotal, but it's also very interesting. And the editor of Forbes Magazine, I think started as an excuse for him to fly his plane around the country, but he got fascinated by the extent to which he kept tripping over very interesting businesses in what he thought of as very unlikely places -- like Nebraska and Montana, Kansas, and all the places we tend to come from here.

And why were these places there? In large part because -- well for two reasons. One, because these are very affordable places to do business. Everything costs less, including quality employees. And second, because they are very nice places to live, maybe not for everybody, but for a lot of people who start or operate businesses in this world as many of them reported to the author, They love being able to work hard a block from home, leave the door open, get to every Little League game, be 10 minutes from a great place to fish or hike. Lifestyle does matter these days, and it opens up opportunities in places maybe we have thought of places where opportunity was dying.

Now the Lord won't do that work for us either, and we have done two things in Indiana to strive to generate the maximum opportunity that may be there for us. And they both have to do with infrastructure. We have acted to fund roads, bridges and rail construction in our state at a record rate for the next 10 years. I won't, it's a subject, sermon for another Sunday, and I won't give it here, but we found a way to do it without a penny of tax increase or a penny of borrowing left to our children.

But we are going to build the roads that have been on the drawing boards of our state for a long time, have been promised in many cases to the citizens of our state for years, with no prospect of paying for them. And now the money is in the bank earning interest and it's just a matter of how efficiently and effectively we can get it into the ground connecting our towns, large but also small.

And secondly, we passed the most progressive, far-reaching deregulation of telecommunications yet in America and the predicted effect has occurred-- we've had over a quarter billion dollars of new investment just in the year since the bill passed. Over 100 of our tiniest towns with names like Tennyson, and my favorite Solitude -- a very descriptive name for that town by the way.

[Laughter]

They now have the same high-speed broadband access to the world and vice versa that you have wherever you may live.

Call centers. Data centers. Backup centers. All sorts of businesses are very well-suited, particularly if you show them the opportunity, show them the sites, show them the stable,

reliable, and affordable work forces that are available in rural and Smalltown, Indiana, and I'm sure in many other states too. And I love to visit these places. I've got friends. There's a woman-owned business that is dominant in the niche business of custom socks. You buy a New York Yankee sock, God forbid -- an Indianapolis Colts sock or a Disney character sock, it probably came out of a converted, 130-year-old school building on a little hill in a town called Helmsburg, Indiana.

Just three days ago I dropped in on another favorite of mine. It's a love story. An Indiana girl had to come home and run the family lumber business. Her French fiancé, a world-class chef and candy maker, decides he'll follow her there, and they get married. He is running a booming business. When I was there the other day, having gone national they were just about to open their global website. And they will ship candy that is not only delicious but is painted in almost lifelike pictures to any point on the globe.

I have disclaimed any expertise here, and that especially applies to national policy. You've got a host of speakers all better qualified than I to talk to you about that and advise you about that. I'll just observe very quickly in passing that national policy as people in this room and people you influence will be crafting it soon and either get in the way or can be helpful.

My plea, as somebody who is trying on the ways I've just described to grow agriculture and grow related businesses in one little piece of Indiana, would be to beware of those policies that go beyond true safety nets to entitlement or institutionalizing subsidies as a driver of profitability. Beware of those things, be cautious with those policies that distort market signals and especially with those that might undercut open trade.

If possible, endorse and support policies that might speed the arrival of new technologies in biofuel of course, and also in the mitigation of the growth that can come. Mitigation of the environmental byproducts or just the nuisances that come with large-scale production of fuels or large-scale livestock production.

And policies that foster one way or another the development of the infrastructure I talked about can be enormously helpful.

Selfishly, there are times I confess where I catch myself hoping for Indiana's sake that retrogressive policies and I think blind spots about the promise that's out there will dominate in other states. That would operate I guess to our competitive advantage. But in my better moments I think as an American, and I don't want to see that at all. I hope that every state who has the kind of potential we do will seize it and operate on it, be able to do so again not acting from the heart but from the head.

One of the least rural people I guess we've known in public life, His Honor Richard Daley the Elder, who is famous for chewing up the English language once in awhile, once said to his fellow Chicagoans, "We must look to the future with nostalgia." I don't know what he meant.

[Laughter.]

But in this context I think that with nostalgia, that is to say with love and reverence and pride for everything that has gone before in our state or in yours, we must look to the future. And we can do it now with confidence and conviction that that future for agriculture and the people and the places where it lives will not be the same, but it can in many ways be better.

Thank you very much, and I'll be delighted to take some questions.

[Applause.]

Keith told me there would be some roving -- yes, sir. You can shout it out, or somebody may be around with a mike.

QUESTION: (off-mike)

GOV. DANIELS: I have not, no. And again, I'm for efficiency and the avoidance of duplication but also -- our approach to regulation is that it ought to be firm, consistent, predictable and quick. This is the guidance I've given all our people, and regardless the area. We have not, by the way, relaxed, reduced or in any way modified downward a single regulation we found in our state.

But we have tried to transform our various regulatory agencies including those that bear on agriculture with the very clear instruction that their posture ought to be one of cooperation to help produce compliance, not punitive. I've told these folks over and over, "These folks you're working with are not the enemy; they are your fellow citizens. And your job is to, if you see a deficiency, is to help understand how to get to compliance, not to wait in the tree across the road and come out and whack them when they get it wrong."

And we have emphasized consistency over time and speed of reply.

Yes, sir?

QUESTION: (off-mike)

GOV. DANIELS: The question is about the balance in Indiana taxation between businesses and individuals. I want to see them both reduced; that's a starting point. We had some work to do and still do. We found on arrival a very, very large supposedly remediable over a short timeframe structural deficit. But we fixed it in one year, the old fashioned way, without a tax increase. And we tax, the tightest budget in 55 years, and then gave every department an administrative objective 7 percent below that. And we're in balance, and we're starting to pay back our debts, and our credit rating has been raised twice. And we're on our way. I hope that step 3 or 4 in that process will be general tax reduction if we can get there.

As for the balance between corporate and individual, there are some imbalances. We have a high corporate tax rate relatively, one of the higher ones in the nation, over 8 percent. We have a low flat individual tax rate, which I'm happy about and don't really want to change except downward. Property taxes on business are higher in Indiana than they are in many other places, so that's a point that needs improvement. The corporate tax rate -- and we're still looking at this -- but people react in the predictable way; they frequently choose business forms that are partnerships as opposed to corporations, and so we have a relatively high rate on those who are in the corporate mode. Many other businesses, not escaping taxation but paying at a lower mode. And we are looking at some reform to redress that balance.

Yes, ma'am?

QUESTION: (long comment, several questions, off-mike)

GOV. DANIELS: Thank you. Those are great questions. Thank you, Merit (sp). They are.

[Applause.]

GOV. DANIELS: Well, I went very quickly by Biotown, so I appreciate that question. I said as I recall that I'm careful about things that might be seen just as stunts or gestures. I don't like to spend time on things that don't really go beyond that, but I am now convinced that Biotown is much more than that, that it can be a very useful demonstration.

We are going to learn things. The intent is that not only the electrical and gas needs of the community will be supplied in a sustainable biogenerated fashion but also every car and tractor and other vehicle will be operating on ethanol or biodiesel and so forth. And it is attracting lots of attention, and I think deservedly so. And I hope it inspires lots of imitation, and I think a real test for it will be, will we learn what the catches and shortcomings are and what the best technologies are and then be able to transfer that?

It must be more than a theme park. And I think it can be. And I'm just thrilled to see the young people here and right up front where you ought to be. You know, there are marvelous opportunities.

If I'm right at all, in our state -- I have no trouble and in fact I'm an evangelist with young people as they consider their careers to consider agriculture in all its forms, also to consider starting that business or relocating that business to a smaller town where you can have the advantages of in many cases, all the advantages of this entertaining world we live in and also the fabulous quality of life that can come with those places.

And so I, with a very clear conscience, encourage our young people to join FFA, to take part, to consider careers in any of the concentric circles that we all know emanate out from that farm without which none of us would have had that great meal tonight.

Thank you very, very much.

[Applause.]