

Good morning and welcome.

The transportation and energy challenges we've faced this year have hit our farmers particularly hard. But, the faults revealed of late show us how to move farming, and the nation, forward.

Both transportation and energy are basic inputs into almost every farm and business, so high transportation and energy costs go to the heart of our competitiveness as a nation. It goes to the heart of our ability to create jobs and improve our standard of living.

Our transportation system is the lifeblood of agriculture. U.S. agriculture is highly dependent on the effectiveness of our integrated agriculture transportation system, and poor transportation directly adds cost to farmers' bottom lines. Truck, rail, and river must be able to work together to compete with each other and keep the price of transportation down. Congress recently passed a Highway Bill to address our many surface transportation needs, but we have yet to pass the Water Resources and Development Act, known as WRDA, to authorize crucial funding for our water infrastructure. Improving our river navigation will not only lower the cost of doing business for producers, but it will mean less highway congestion and lower air emissions.

Hurricane Katrina certainly highlighted the importance of river transportation to farmers, which was devastating to the agriculture transportation system in and around the Mississippi gulf region. Overall, this area is responsible for about 60 to 70 percent of U.S. raw grain exports, and it is estimated that one in four acres of U.S. production is destined for export channels - 60 percent of which goes through New Orleans to the Gulf.

Hurricane Katrina resulted in the extended closure of the Ports of New Orleans and South Louisiana, and still, we are only operating at two-thirds capacity. This tells me two things: first, USDA needs to continue working hard to mitigate the barge backlog and second, Congress needs to pass WRDA. Rail and truck transport have been critical for agriculture during this time of interrupted river traffic, but clearly, agriculture is heavily dependent on our rivers and we cannot expect to compete with the rest of the world using locks over 70 years old, as we have on the Upper Mississippi River System.

But, all of us here know our transportation costs can't just be boiled down to infrastructure - the price paid for energy has an enormous impact. And beyond transportation, energy prices are taking a severe toll on our farmers. On average, energy accounts for about 13 percent of a farmer's expenses. The increased cost of fertilizer caused by high natural gas prices combined with extraordinary diesel prices and high transportation costs have been a true challenge for producers who can't raise their prices and are forced to absorb these increases.

Katrina made a bad situation worse as far as the price of oil is concerned. Before the hurricane, on August 26th, the price of a barrel of oil was 50 percent higher than a year earlier. Three days later, Hurricane Katrina sent these prices skyward, and even now, the prices for gasoline and diesel are each about 50 cents higher than one year ago. Right before harvest, farmers found themselves in the line of fire of these rising costs. Even before Katrina, farms were projected to spend about \$10.2 billion in 2005 for fuel, \$2 billion higher than in 2004. Katrina has created a

real crisis for our farmers in terms of energy costs, and I hope this issue will be addressed in any upcoming disaster aid package.

Clearly, our energy problems go far beyond Hurricane Katrina. I want to share four numbers with you that I find very significant: 37, 53, 60, 74. These numbers represent the percentage of petroleum supplies we purchased overseas in 1980, 2002, today and the projected purchases we will make in 2025. We were addicted to foreign oil in 1980 and we are on course to double our dosage down the road. I'm serious when I say that this nation's energy dependence is the greatest threat to our economy, our security, and our freedom this nation faces.

But this energy crisis presents a tremendous opportunity for our producers to grow the fuel our nation needs. If we think Katrina was bad for energy prices, just imagine what would happen if OPEC, which currently accounts for well over 50 percent of our oil supplies, shuts off the spigot. We must have energy independence or risk losing our autonomy.

I believe our farmers are a major part of our energy independence. That's why I want to see 10 percent of our motor fuel come from renewable fuels by 2010. All new motor fuel sold in the U.S. should contain at least 10 percent renewable fuels, and we need to set a hard date for all vehicles to be able to run on E-85. Moreover, converting sugar to ethanol has been instrumental to Brazil's successful push toward energy independence -- we need a viable sugar-to-ethanol program here in the United States. Coupling the energy production of our farmers with common-sense conservation initiatives, we can solve our energy dependence problem.

I want to hear from our witnesses on what they think can be done to address our transportation and energy challenges. How do we become more efficient, more innovative, and more independent? What steps does Congress need to take to build an affordable, reliable and environmentally friendly infrastructure system in this country?