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Subcommittee on Commodity Markets, Digital Assets, and Rural Development

Stakeholder Perspectives on USDA's Rural Development Programs

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Good morning, Chairman Johnson, Ranking Member Caraveo, and members of the Subcommittee. My name is Jessica Bowman, and I'm Executive Director of the Plant Based Products Council, which is an association representing a broad range of companies that support federal policies to facilitate greater adoption of products and materials made from renewable, plant-based inputs.

Thank you for the opportunity to share our perspective on USDA's rural development initiatives and their role in the growth of the U.S. agriculture bioeconomy.

Members of the Plant Based Products Council use agricultural feedstocks, like corn, soy, hemp, and more, to make many of the products we use every day – from plastics to textiles, personal care products to building materials. These plant-based products play a critical role in our nation's bioeconomy, delivering \$470 billion in value to the U.S. economy and supporting 4.6 million American jobs that range from manufacturing to STEM.¹ Whether large or small, businesses involved in the manufacturing of plant-based products prefer to locate their operations in rural communities to be near the source of their feedstock and support the local economies in which these products are grown. That means the plant-based products industry represents a tremendous growth opportunity for ag-based manufacturing in rural areas across the country.

While the American ag bioeconomy is growing at a steady clip, other countries are growing at a faster rate that outpaces the U.S. due to more significant coordination between the public and private sectors and greater investment of resources to support critical infrastructure needs. As an example, North America currently houses 18.9% of global bioplastic production capacity, but that percentage is expected to drop to 10.8% by 2027. In comparison, Asia is expected to grow its percentage of bioplastic production capacity from 41.4% to 62.9% by 2027.² The overall U.S. bioeconomy accounts for less than 2.5% of our nation's economic activity. We are missing out on a crucial opportunity to develop rural economies, strengthen domestic supply chains, and address numerous environmental challenges.

PBPC is not alone in recognizing the potential for American agriculture to position the U.S. to be a global leader in bio-based innovation and the bioeconomy. Plant-based products are part of the broader ag bioeconomy in the U.S., which includes renewable chemicals, materials, fuels, and nonfood consumer products. PBPC is a founding member of the Ag Bioeconomy Coalition, which includes twelve leading agriculture organizations that represent bioeconomy stakeholders in every state across the country.³ The Coalition members all support the advancement of federal policy initiatives that will foster the growth of our nation's ag bioeconomy, including expansion of bioeconomy markets and infrastructure, creating market transparency and visibility, and promoting bioeconomy research and development. Paramount to these priorities is the modernization of the Farm Bill's energy title and recommended enhancements to key USDA rural development programs, including USDA's BioPreferred Program and the Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program.

¹ USDA, An Economic Impact Analysis of the U.S. Biobased Products Industry (2019), https://www.rd.usda.gov/sites/default/files/usda_rd_economic_impact_analysis_us_biobased_products_industry.pdf

² European Bioplastics, <https://www.european-bioplastics.org/market/>

³ Ag Bioeconomy Coalition members include American Farm Bureau Federation, American Soybean Association, Clean Fuels Alliance America, Corn Refiners Association, Growth Energy, National Association of State Departments of Agriculture, National Corn Growers Association, National Farmers Union, National Hemp Association, National Industrial Hemp Council of America, Plant Based Products Council, and Renewable Fuels Association.

Modernization of BioPreferred

Last year marked the 20th anniversary of USDA's BioPreferred Program. The Program aims to spur economic development, create new jobs, and provide new markets for farm commodities by developing and expanding markets for biobased products through mandatory federal purchasing of biobased products and a voluntary labeling scheme to enhance awareness of BioPreferred products in both the public and private sectors.

The Program's impact has not reached its full potential, however, in part due to inadequate tracking, reporting, and compliance with federal procurement requirements and flat funding that has remained at \$3M since the program's inception, failing to account for inflation and economic growth, along with meeting the program's fundamental resource needs. For comparison, EPA's Energy Star Program, a well-known green purchasing program, receives over ten times the funding of BioPreferred at \$30M-\$50M annually.

PBPC and the ABC firmly believe that through modernization and robust funding, Congress can help the program maximize its ability to spotlight the broad array of biobased products for government procurement and use by businesses and consumers. Recommended improvements include:

- Establishing minimum requirements for biobased-only procurement contracts;
- Defining minimum price differentials that dictate when biobased products should be chosen;
- Improving compliance, reporting, and data collection across the federal government;
- Expanding promotion of biobased products within the federal government and to the public;
- Regular updates to product categories and biobased content requirements; and
- Updating funding levels to ensure the U.S. will remain competitive in the global economy.

Two additional recommendations that can help advance the goals of BioPreferred include:

Biobased Product Manufacturing NAICS Codes

It is critical that this farm bill reauthorization follows through on the 2018 Farm Bill directive that required USDA and Department of Commerce to establish North American Industry Classification System (NAICS) codes for biobased product manufacturing. New biobased products NAICS codes would greatly enhance the ability of firms and researchers to track the industry, and will empower our government, policymakers, and other stakeholders to be fully informed when participating in future regulatory and policy decision-making processes. Such codes are key to the future success of the bioeconomy because they allow for accurate and effective tracking and analysis of the economic activity and growth of the industry and help inform where investment is needed. Without dedicated NAICS codes, there is no way to assess the success of public policies aimed at promoting the industry, such as measuring positive growth in key economic criteria like jobs and average wages.

While work is currently underway by an Interagency Technical Working Group (ITWG) to develop these codes pursuant to Executive Order 14081, it is critical to ensure that work is carried forward to the next updates to the NAICS in 2027. Through the 2023 Farm Bill, Congress should codify the ITWG, under the direction of USDA, to ensure the bioeconomy-related NAICS code revisions are up to date for inclusion in the 2027 updates. The ITWG should also be tasked with regularly reviewing and recommending bioeconomy-related NAICS/NAPCS changes needed in the future to accommodate this quickly growing industry.

Biobased Product Terminology

There are many terms commonly used when discussing products in the bioeconomy, including “plant-based”, “biobased”, “biodegradable”, and “compostable”. Many of these terms are not well known to stakeholders and the general public, are used inappropriately, and/or are not well defined. In addition, state and local jurisdictions have taken varying approaches to defining and using relevant terms, creating further confusion and challenges to interstate business and marketing. This lack of harmonized terminology frequently leads to confusion in the marketplace or to a mistaken belief that biobased products are a greenwashing effort. Misuse of these terms by manufacturers of “counterfeit” products creates further mistrust, and risks undermining congressional intent, as well as the good work happening in the U.S. private sector.

Federal government leadership is needed to harmonize basic biobased product terminology to promote common consumer understanding and confidence in the growing bioeconomy. Some key terms are already defined under the Farm Bill Energy Title. Taking additional steps to harmonize relevant definitions within the federal government and among the states, including preemptively when necessary, would create clarity for consumers and a consistent marketplace, while also expanding market demand for biobased products and supporting streamlined federal procurement efforts.

Bioproduct Pilot and Demonstration Facility Grants in the Biorefinery Assistance Program

One of the most significant challenges to growing the U.S. bioeconomy is the lack of scale-up infrastructure that is essential to de-risking investment in newer innovations aiming for full-scale commercial production. For example, limited pilot and demonstration scale fermentation capacity in the U.S. is creating a bottleneck in the development and launch of American-made bioproducts. Today, U.S. innovators often have no other choice but to go to Europe or elsewhere overseas in order to access the infrastructure needed to bridge the “valley of death.”

Many mid-scale biorefineries are based at public universities because of the expertise, research, and workforce development opportunities they provide. Unfortunately, as a result of being university-based, these institutes often cannot access commercial loans for the capital necessary to further develop pilot and demonstration scale facilities.

Importantly, Congress can help these public institutions by providing funding support for additional bench scale and semi-commercial scale infrastructure to help de-risk and accelerate the commercialization of new and emerging bioproducts.

USDA’s Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program (Section 9003 of the Farm Bill) presents an opportunity to deliver the resources needed to alleviate this bottleneck. This program was established by the 2008 Farm Bill. It currently provides loan guarantees of up to \$250 million for the development, construction, and retrofitting of commercial-scale biorefinery facilities that uses eligible technology to convert renewable biomass into advanced biofuels, renewable chemicals, and biobased products.

Specifically, PBPC recommends expanding the program to include cost-sharing grants for pilot and demonstration scale plants. Such grants would support the U.S. bioeconomy in accessing the scalability

necessary for commercial breakthroughs. By further growing the domestic bioeconomy, the 2023 Farm Bill can play an important role in keeping American innovation in the U.S.

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Thank you again for the opportunity to share PBPC's perspective. We look forward to continuing to work with the Committee to ensure this Farm Bill reauthorization is designed to bolster the U.S. bioeconomy, supporting America's agricultural producers and further developing our nation's rural economies, all while addressing critical environmental imperatives.