

Producer's perspective on opportunities and risks in biofuels production.

Biofuel incentives have lifted prices and benefited farmers.

Biofuels are only one of many factors that are contributing to high commodity prices:
strong world economic growth with increased demand for high quality protein
weak dollar
\$100 per barrel crude, record gold prices

USDA has released its new long-term commodity price forecast which tells me that while current price levels will decline slowly over time, the era of \$2 corn is over.

This is not all good news for farmers, with increased output prices come increased input costs, increased marketing risks and increased overall financial risk.

Perspective depends on where you are and what you grow:

If you are a corn grower in a traditionally high basis area with a new ethanol facility you love it.

If you are a beef or dairy operation and a new ethanol facility open next door you love it.

If you are a hog producer and can not take advantage of ethanol bi-products you question it.

If you have invested in an ethanol coop there is a significant financial risk if ethanol/corn price ratios or gasoline/ethanol price ratios go bad.

Strong crop prices facilitate conservation investments and sustainable crop production practices.

There is NO fundamental disconnect between sustainability and farmer's self interest.

Science is increasing knowledge (carbon balance, crop genetics, and production and tillage systems) and it is important that farmers put this knowledge to use.

Cash renters have less incentive for long-term stewardship and the percentage of land operated by renters is increasing.

Potential for increased pressure for more environmental regulations on farmers in response to increased corn acreage, nitrogen applications and loss of wildlife habitat.

The range of crops that may be tapped for biofuels is likely to increase, expanding the ability of farmers to contribute to energy independence.

Eventual switch to cellulosic technology will reduce pressure on corn sector and diversify/spread ethanol production to more regions outside of the Corn Belt. Should help match production with consumption locations decreasing transportation costs.

Cellulosic ethanol production could also pose environmental challenges but holds immense potential.