

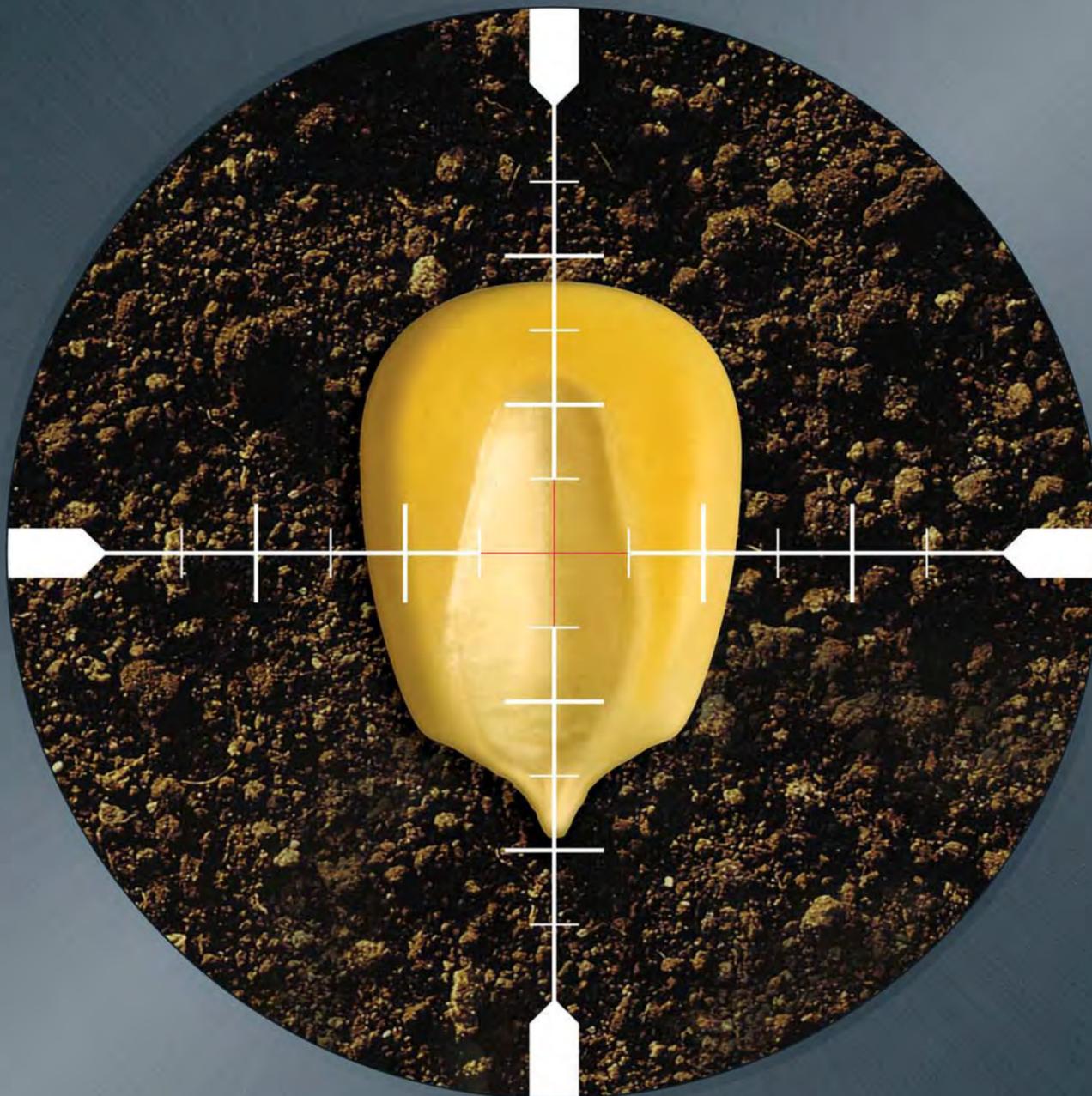


Cornstalk

A Publication of the Nebraska Corn Board

www.nebraskacorn.org

Corn in the Crosshairs



Customers and critics are voicing concerns about corn's role in America's energy future.

In some cases, the issues and questions are valid and need to be addressed. In other cases, it's nothing more than a potshot designed to get a headline. Unfortunately, such headlines are easily—and often—repeated by those that don't know the real story.

Whether such headlines gain any traction in the media, or with unknowing politicians or regulators, often depends on how the critics are answered and if those answers make sense.

In this issue of Cornstalk, we take a look at some of these issues

and provide some answers—or truths—that you can use with a neighbor, at the ball game or in a letter to the editor.

At the same time, it is important that critics and doubters understand that many corn producers also raise cattle, hogs and poultry; enjoy pheasant hunting and wildlife; do their best to manage natural resources; and appreciate the concerns of corn users.

There are many benefits to better corn prices and ethanol. Don't be afraid to stand up for corn!



FIELDnotes

by Jon Holzfaster, Chairman

One thing I have learned over the years is that there are usually two sides to every issue. However, much of the recent coverage of the "corn-to-ethanol" story has been negative and very one-sided. This issue of the Cornstalk attempts to 'set the record straight' on some of the concerns being expressed in Nebraska and across the U.S.

From a corn producer's point of view, the attacks on the corn and ethanol industries have been very disheartening. For nearly a decade, corn prices have stayed around \$2.00 a bushel or less. Many corn producers have been hanging on by a thread and have been dependent on some form of government payment to stay in business. Now, as the pendulum finally swings in corn's favor, the critics have come out in full force. Unfortunately, many of them are sorely misinformed on the subjects of corn, ethanol and agriculture in general.

Many of our traditional corn customers are concerned whether there will be enough corn to go around. This concern is understandable, but we remain firmly convinced that corn producers will respond to market forces and will produce enough corn to satisfy all of our customers' needs. Of course, the other factor at play here is the growing acceptance of distillers grains by the livestock industry. In fact, I have heard some Nebraska cow-calf people say that distillers grains played an important role in getting them through a tough winter. For many of them, it's the first time for this new product in their operations and it really opened some eyes.

There's no question that we are now operating in a new paradigm in agriculture. The paradigm shift happened faster than many of us expected, and it's going to take some time for everyone to adapt to it. The Nebraska Corn Board will continue to work closely with our customers to help make sure that this adjustment period goes as smoothly as possible.

Livestock Concerns

Nebraska's cattle industry will suffer because of high corn prices.

- No doubt, higher corn prices have an impact on livestock. However, some segments of the cattle industry have actually benefited from the ethanol industry for several years through the use of distillers grains. Only recently have corn producers also started to see some benefits of higher corn prices.
- Projections for 2007 indicate that farmers are responding to higher corn prices and will plant significantly more corn, which could ease supply issues.
- Ethanol is changing the state's agricultural landscape. This creates some challenges, but also tremendous opportunities, for Nebraska to become the leader in corn, livestock and ethanol.

Distillers grains don't work for cow-calf producers.

- Wet distillers grains can be mixed with hay, cornstalks and other feed. It's a concept that is catching on fast.
- Many cattle producers turned to distillers grains this winter, in either wet or cube form. They found that distillers grains

were a better and less expensive feed. In some cases it allowed producers to retain their herds.

- Logistics may be an issue for some cattle producers. Buying distillers grains from a feedlot or going in on a load with a neighbor may help.
- The Nebraska Corn Board has helped fund research on the feeding of distillers grains to forage-fed cattle—and there is more research to be done. For more on this subject, go to <http://beef.unl.edu>.
- The Nebraska Corn Board has compiled a listing of the suppliers that sell and/or manufacture pellets, blocks and/or cubes using either distillers grains or corn gluten as a base for their products. Contact the Nebraska Corn Board at 1-800-632-6761, or go to www.nebraskacorn.org and look in the Timely Topics box on the front page.

Swine and poultry producers are having a hard time because of higher corn prices—and distillers grains aren't of much use to swine and poultry producers.

- Distillers grains can be fed to poultry and swine, just not in as large of quantities as to cattle.

● Ethanol production technologies under development produce a nutrient rich meal that, for hog finishers, could reduce other feed ingredients including corn. It also works well for poultry.

● The Nebraska Corn Board continues to help the swine industry build markets for its products. For example, more than \$4 million has been provided to the U.S. Meat Export Federation over the years to help develop international markets for U.S. red meat. The Nebraska Corn Board has also been an active contributor of in-state pork promotions.

● The Nebraska Corn Board also works to promote the poultry industry through its membership in the USA Poultry & Egg Export Council.

Nebraska will have more distillers grains than we know what to do with.

- The usage of distillers grains by the livestock industry will continue to grow. Most cattle feeders blend less than the optimal amount of wet distillers grains into rations. UNL research shows that wet distillers grains can comprise 40% of ration on a dry matter basis.

● The distribution of distillers grains across the state needs to be improved. There are significant numbers of cattle in the Panhandle, but there aren't any ethanol plants in the Panhandle as of yet.

● We need to focus on growing our livestock industry. A growth rate of 5% per year over the next four years would help distillers grains consumption keep pace with output.

Distillers grains are high in phosphorus, which will create pollution problems.

- Corn checkoff dollars help fund UNL research that is investigating ways to reduce the level of phosphorus in distillers grains, as well as manure management systems, to best utilize phosphorus and reduce possible runoff from fields.
- Phosphorus has always been a concern in soil-applied manure, especially in areas with a high concentration of livestock feeding. This can be addressed through a livestock producer's manure management plan.
- There are more than adequate acres of cropland in Nebraska that could handle livestock manure.

Ethanol Production Concerns

Ethanol production uses too much water.

- It takes about 3 gallons of water to make 1 gallon of ethanol. That's down from 4 gallons, and improved technology may reduce water usage another 1-2 gallons in the near future.
- Much of the water used by an ethanol plant is recycled. Some ends up in wet distillers grains and is fed to livestock, or absorbed back into the soil.
- Ethanol production uses about one-twelfth of the water (92% less) than what is used to refine crude oil into energy products such as gasoline and diesel fuel.
- Many established Nebraska industries use large amounts of water in their manufacturing processes. The ethanol industry is a "new" industry and also uses water—but it is also an industry that brings significant economic benefits to rural Nebraska.

Ethanol production won't make much of a dent in our dependence on foreign oil.

- Ethanol is part of the solution. It is not the silver bullet—but it's the commercial industry that is beginning to change the U.S.'s dependence on foreign oil.
- Gasoline demand increased by 20 billion gallons from 1996 to 2006. During that same period, ethanol production increased 4 billion gallons—satisfying 20% of the increased demand for gasoline.
- Petroleum imports account for about 35% of America's trade deficit. Domestic ethanol helps reduce this deficit.

● Money invested in producing domestic fuels is money spent in this country. In 2002, the U.S. spent nearly \$110 billion on foreign oil—a massive transfer of U.S. wealth to other nations, some of which are not friendly to the U.S.

● The Kellogg School of Management reported that ethanol production improved the U.S. trade balance by some \$2 billion in 1997—long before the tremendous growth in ethanol production.

Ethanol production is not energy efficient.

- In July 2006, the National Academy of Science said that ethanol production results in a +25% net energy balance.
- Other reputable studies—from the USDA, Argonne National Laboratory and Michigan State University—have found that ethanol production results in more energy than it takes to produce—up to 67% more.
- The technology is improving. Ethanol plants produce 15% more ethanol from a bushel of corn and use 20% less energy than they did five years ago.
- A Department of Energy study shows gasoline production has a negative energy balance, resulting in a 19% loss in energy.

Ethanol's contributions to cleaner air are overrated.

- Burning fossil fuels leads to three-quarters of the man-made CO₂ emissions to the atmosphere. EPA says gasoline is the number one source of toxic emissions. Ethanol emits less hydrocarbons, nitrogen oxides and carbon monoxide than gasoline.

● According to a five-laboratory study for the Department of Energy, cars fueled by ethanol generate less than one percent of the CO₂ produced by the same car burning gasoline.

● Ethanol reduces cancer risk from exhaust emissions—by as much as 30%. The National Academy of Science found that ethanol helps reduce greenhouse gas emissions by 12%.

After corn producers increase production, something will happen and corn prices will sink to previous lows.

- Previous price increases were generally caused by production problems. The recent rise in corn prices is the result of increased domestic demand for corn. A demand-driven market is different than a supply-driven one.
- Once an ethanol plant is up and running, it is unlikely to shut down. This will help stabilize local corn markets and sustain higher prices.
- Although farmers could convert millions of extra acres to corn, this would be done at the expense of other crops. Prices for those other crops would then rise, and farmers would be encouraged to balance their production to market demands.
- With support growing for the use of alternative fuels, it is unlikely the government will stop its support of ethanol or consumers will stop buying renewable fuels.

Oil prices could collapse, causing ethanol plants to close because they aren't competitive.

- Although it is possible that oil prices could fall, demand for oil is continuing to increase in developing countries like China and India.
- Since the U.S. has phased out MTBE, ethanol is needed to produce blends required in many areas. The renewable fuel standard also requires a growing use of renewable fuels like ethanol, and there is talk of increasing the RFS.
- The blenders' tax credit helps to support the industry.

Why are we subsidizing an industry that is mandated?

- Ethanol blenders receive a tax incentive, not a subsidy. The incentive does not go to ethanol producers or corn growers. The 51 cent/gal. credit is an incentive for blenders to run ethanol through their distribution channels.
- If you mandate a company to sell someone else's product, you need to provide an incentive for them to do so. Here's an analogy: Say KFC was told it had to add beef products to its menu. You would have to give KFC an incentive to do that. For petroleum marketers, ethanol is a competitive product.
- The tax incentive and mandate are necessary to get the ethanol industry established.
- Increased corn demand for ethanol will increase the price of corn, leading to higher farm incomes. This reduced federal farm subsidies by \$5 billion in 2006 alone.

Food and Fuel Concerns

As more corn goes into ethanol production, food prices will be more expensive.

- Corn-based products are in many foods, and some breakfast cereals contain corn. Yet food uses for field corn only take up about 10% of the crop. Changes in the price of corn do not significantly impact this market. Even with \$4.00 corn, there is only four cents of corn in a \$4.00 box of cereal.
- Ethanol production creates distillers grains, which can replace corn in large quantities for cattle and smaller quantities for hogs and poultry.
- The U.S. has the cheapest—and safest—food supply in the world. Ethanol production won't change that.

● The American Farm Bureau estimates that a typical American's average annual cost of food for 2008 will only increase by \$1, in total, due to the growth in corn to ethanol.

Our foreign customers are concerned about their ability to buy U.S. corn.

- Recent corn exports have continued at levels equal to or ahead of past years. Foreign buyers appreciate the high quality and consistent availability of U.S. corn.
- Although foreign buyers may face higher prices right now, they, like corn users in the U.S., will adjust to these prices.

● There currently is no shortage of corn—corn isn't as cheap as it was a year ago, but there is still plenty of corn to go around. USDA estimates there will be more than 750 million bushels of U.S. corn in storage as harvest begins this fall.

● There is an economic incentive to plant corn. With prospects for more corn acres, it is unlikely that the U.S. or the world will "run out" of corn.

● Other countries—like Europe, China, Argentina and Brazil—will also increase corn acres and improve on corn production to supply the world market.

People in developing countries will starve because there won't be enough corn.

- There is no shortage of corn or food in the world as a whole. There are regional shortages, of course, and people are hungry as a result of this.
- Political instability, corruption and related problems play a large role in regional food insecurities. Add to that a lack of reliable transportation, food storage issues and infrastructure problems.
- Do U.S. corn growers have a responsibility to overproduce and keep prices below the cost of production? Will there be fewer hungry people in the world as a result?



CORN GROWERS ARE S



The CORNER Office

by Don Hutchens,
Executive Director

Recently we have seen dozens of editorials and articles blaming corn for everything from obesity to starvation to drought to the ruination of our livestock industries. Not to mention the depletion of our water, global warming, the cost of living and the budget deficit. The corn industry is even being compared to Big Oil.

Wow! I never realized I worked for such a powerful commodity. I have always looked at our efforts as simply trying to do something good for our producers, our environment, our state and our energy independence—and to help producers become less dependent on the federal government, which will help the average taxpayer. It seems corn has become the commodity to hate for doing what every business or commodity works tirelessly to do: Develop a new use or new market to help stimulate the demand for its commodity.

Higher corn prices do have a ripple impact in many of the industries that use corn, including ethanol production. But we think farmers will respond to higher prices by doing what they always do—by producing more. We also feel very strongly about the importance of our number one customer, the livestock industry. We're doing everything possible to make sure it has enough corn or distillers grains to feed, and the technical support to use distillers grains as a new protein source. And we continue to do what we have always done—to promote, and market finished meat products here in the U.S. and around the world.

We must continue to work together, stay supportive of the synergy that exists between us, collaborate on the right research that is needed, and jointly promote our value-added commodities. If we work to build our alliances instead of tearing them down, we will all benefit.



Corn and Cattle join forces on Capitol Hill

Officials of the Nebraska Corn Board and Nebraska Cattlemen worked together recently in Washington, D.C. According to Stan Boehr of Henderson, chair of the Nebraska Corn Board's government affairs committee, the two groups focused on environmental and trade issues, and lobbied for more research on distillers grains. "We felt it was important for Secretary Johanns, our congressional delegation, and House and Senate Ag Committee leadership to know that Nebraska's corn and cattle producers support each other on these important issues," Boehr said.

Nebraska Corn Board supports pork export activities

The Nebraska Corn Board sponsored two major pork export initiatives as part of its on-going efforts to support Nebraska's pork industry. The first event was the 2007 American Pork Trade Seminar and Reception in Tokyo, co-sponsored with the U.S. Meat Export Federation (USMEF). In mid-March, the Nebraska Corn Board sponsored three Nebraskans—pork producer Troy McCain of DeWitt, beef producer David McCracken of Friend and Nebraska Corn Board farmer/director David Merrell of St. Edward—to attend the USMEF Market Expo in Japan and Taiwan. "Nebraska corn farmers are working hard to make sure there is a growing demand for pork. This year alone, more than \$300,000 of corn checkoff dollars will be invested into USMEF," said Don Hutchens, executive director of the Nebraska Corn Board.

Nebraska Corn Board active at World Ag Expo

Each year, the Nebraska Corn Board exhibits at the World Ag Expo in Tulare, California in mid-February. Billed as the world's largest agricultural exposition, it is a good opportunity to visit with western customers about Nebraska corn. At this year's show, the Nebraska Corn Board also participated in a Nebraska dairy expansion initiative entitled "Nebraska—Dairy's New World of Opportunity" targeted at California dairy producers who may be considering relocation of their operations due to higher feed costs and urban sprawl. One of the key messages is that Nebraska, with a consistent supply of corn, distillers grains and alfalfa, is an excellent area to consider for relocation.

Crop Progress Photo Contest winners announced

Each year the Nebraska Corn Board invites FFA chapters from across the state to submit photographs showing progress of the corn crop. These photos are used in Crop Progress Updates on the Nebraska Corn Board website. This year, the best photographs were selected and the FFA chapter that submitted them received a check for \$100. 2006 Photo Contest winners were Heartland FFA (Henderson), North Bend FFA and the Loup City FFA. To view the winning photos, visit our website at www.nebraskacorn.org.

Two individuals honored by Nebraska Corn board



Senator Bob Kremer and Jon Holzfaster

The Nebraska Corn Board honored two Nebraskans during the Nebraska Ag Classic meeting in Kearney. Receiving the annual Ag Achievement Award was Senator Bob Kremer of Aurora who was recognized for his ag industry leadership, and his continual support of the Nebraska Corn Board's mission and activities. Receiving the Elevator Manager Appreciation Award was Dan Coburn of Midwest Farmers Cooperative, operating from the Eagle location.



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Nebraska Corn Board members represent the eight districts indicated on the map and are appointed by the Governor. One at-large member is elected by the other Board members.



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