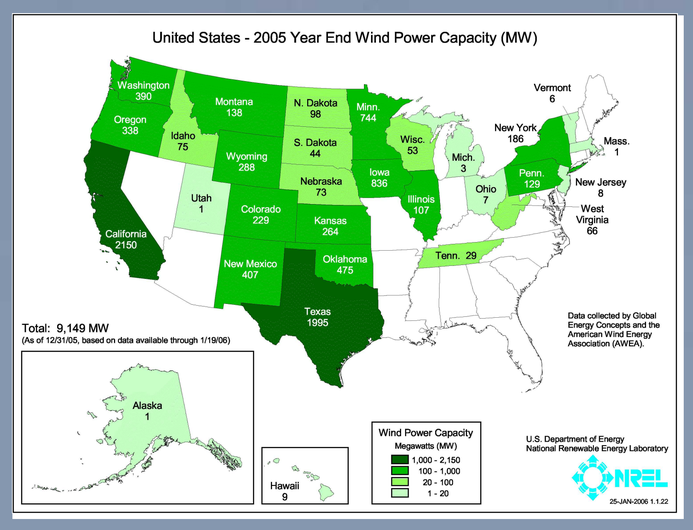
Wind Energy Works For Rural America As Farm Policy Evolves

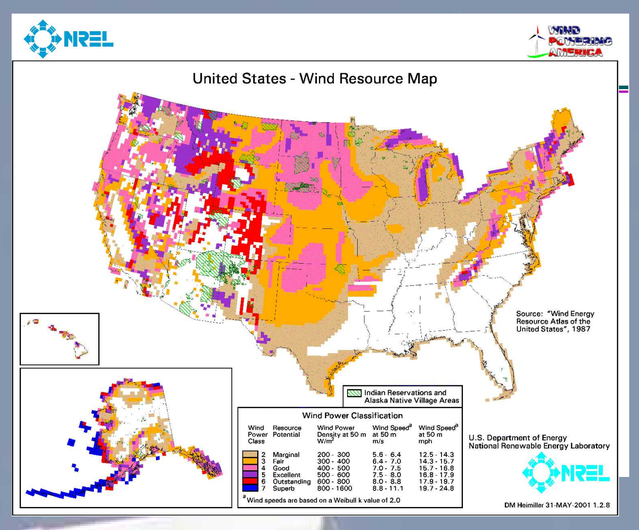
Author: Dan McGuire, CEO-American Corn Growers Foundation



"Wind energy works for rural America! Whether the target is 25% of our nation's energy from wind and other renewable sources by 2025 or 20% by 2020 U. S. political, farm and rural leaders, together with advocates at all levels, must drive state and federal policies to meet the target. Pursuing this policy agenda has everything to do with America's national, economic and energy security. It is a top priority for the American Corn Growers Foundation.

U. S. federal farm policy is evolving. Ten years ago (in 1996) various government and agribusiness leaders advocated current "export-oriented" farm policy by projecting that U. S. corn exports would be 2.8 billion bushels in 2005. That policy failed and U. S. corn exports were only 1.8 billion bushels in 2005. They missed the target by 1 billion bushels and corn prices have remained disastrously low at the farm gate. As a result farm program income transfer payments to farmers have been required to make up part of that loss. Future farm policy needs both renewable energy provisions and a marketing tool box that helps farmers push commodity prices higher. America can not afford to miss this target."

Dan McGuire-CEO, American Corn Growers Foundation; Wind Energy Works! Steering Committee Member; DOE Wind Powering America National Renewable Energy Laboratory-NREL Agricultural Outreach Committee Member.




Mary Jane Welch and Peter Dambrouskas farm near Oakland, IL

"Higher energy prices are one obvious reason that U.S. corn farmers support wind energy development. Consider this: In 2001 our farm bought 22,500 gallons of diesel fuel for irrigation at $.40/gallon and paid $9,000. In 2006 those same gallons, at $2.40/gallon, cost us $54,000. Anyone can see why our full economic cost of production for corn is above $3.00 per bushel. The problem is that under current farm policy USDA projects corn prices to average only $1.95 per bushel in 2006. The difference has to come from somewhere. That's where farm program payments to farmers come in, helping mitigate the low commodity prices that actually subsidize big agribusiness, food processors and consumers. Farmer-owned wind projects can also be a critical new income stream for farmers and the rural sector. Renewable portfolio standards and net metering will help encourage farmers to convert to electric irrigation wells. Wind turbines can help generate that electricity, while saving precious water resources. Unlike conventional power plants wind turbines need no water for cooling. Wind power takes the demand off of fossil fuels which takes some of the upward pressure off energy prices. Getting new wind projects up and running in rural America needs to be priority one for local, state and federal governments, farm organizations and utility companies. Multiple, nationwide farmer and public surveys show overwhelming support for wind energy."

Gale Lush-Nebraska, Chairman, American Corn Growers Foundation

90%

support wind energy development

*2004 Corn Farmers Survey

*RMA Research Inc. of Sioux Falls, SD. , for ACGF and funded by the W.K. Kellogg Foundation.

89%

want farmers, industry and public institutions to promote wind energy.

*2004 Corn Farmers Survey

*RMA Research Inc. of Sioux Falls, SD. , for ACGF and funded by the W.K. Kellogg Foundation.

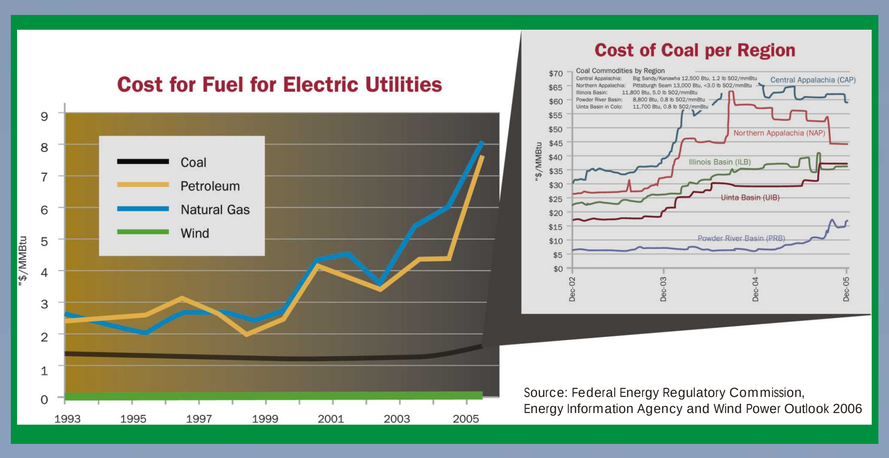
USDA Forecast For 2006 U.S. Corn Production Costs
(*November 2005 USDA Forecast)

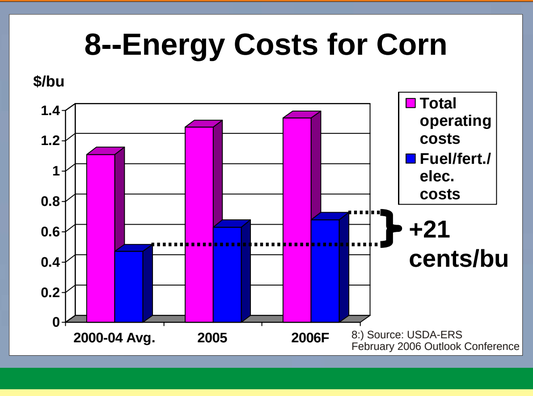
Operating Costs:	$/Acre	Allocated Overhead	$/Acre
Seed	40.15	Hired Labor	3.37
Fertilizer	58.25	Unpaid Labor	28.41
Chemicals	27.64	Capital Recovery	65.59
Custom Operations	12.29	Land	97.09
Fuel, Lube, and Electricity	41.94	Taxes & Insurance	5.79
Repairs	16.41	General Farm Overhead	13.22
Other Variable Expenses	0.26		
Interest on Operating Capital	4.74		
Total, Operating Costs	$ 201.68	Total Allocated Costs	$ 213.47

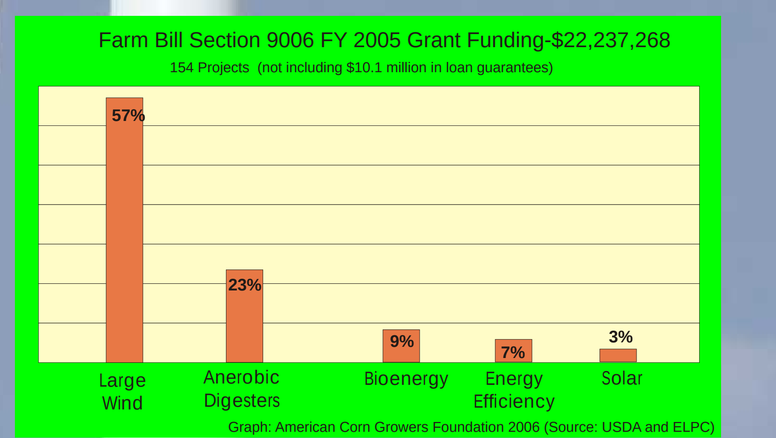
***TOTAL COSTS LISTED** $ 415.15 Per Acre

**USDA Est. Yield Per Acre (U. S. Ave.)	147.9
Cost of Producing Each Bu. (At Ave. yield)	$ 2.81
Estimated Ave. Truck Freight From Farm	.20
TOTAL Production and Freight Cost/Bu.	**$ 3.01**
**USDA Estimated 2006 Ave. Farm Price/Bu.	$ 1.95
Estimated 2006 Loss Per Bushel	$ 1.06

**ACGF Table May 2006
Data from March 2006 USDA, Economic Research Service Statistical Indicators & 5/12/06 WASDE







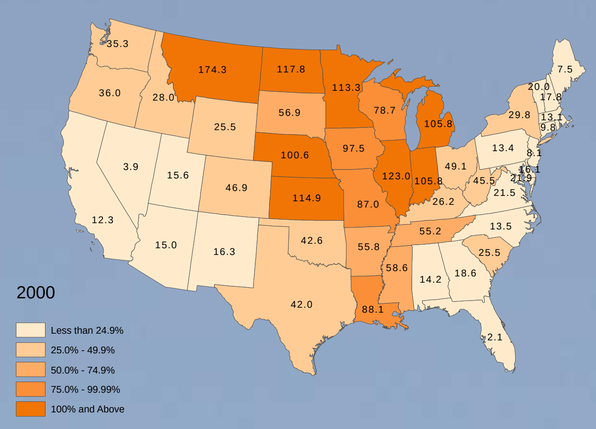
"American farmers are spending over $3.00 per bushel for corn production and truck freight costs in 2006. Meanwhile, U.S. "export-oriented" farm policy has failed to deliver for farmers and the rural economy. Promised increases in corn exports and corn prices have not occurred. Competitor countries are capturing world markets as U.S. share of world corn trade drops. So-called "free markets" in agricultural commodities are a myth. These realities explain why a farm income safety net, price-driving marketing and renewable energy programs are essential in the next farm bill. "

John Hansen, President, Nebraska Farmers Union

"The AAWC continues to bring farm and commodity groups together as a strategic coalition. We support and promote the wind PTC and Section 9006 (USDA Farm Bill Energy Title) grant and loan funding. These are important and valuable incentives for farmer-owned, community-based wind projects. 2005 was a very successful year for the Section 9006 program. We are actively working on 2006 and have recently seen success in restoring Section 9006 appropriations. Continued mandatory funding is essential."

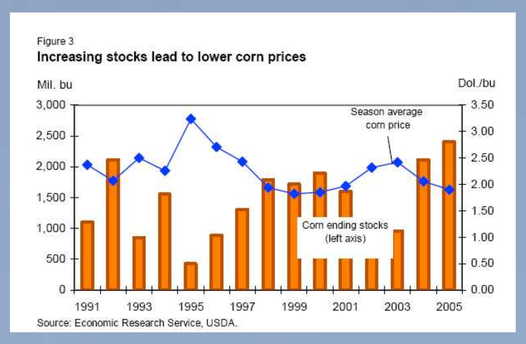
David Senter-Washington, DC, National Coordinator, American Agricultural Wind Coalition (AAWC) and American Corn Growers Foundation consultant.

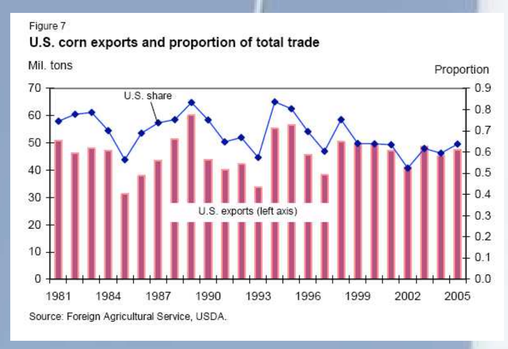
Government Payments as a Percent of Net Farm Income
Year 2000
Agricultural Policy
Analysis Center-APAC, University of Tennessee



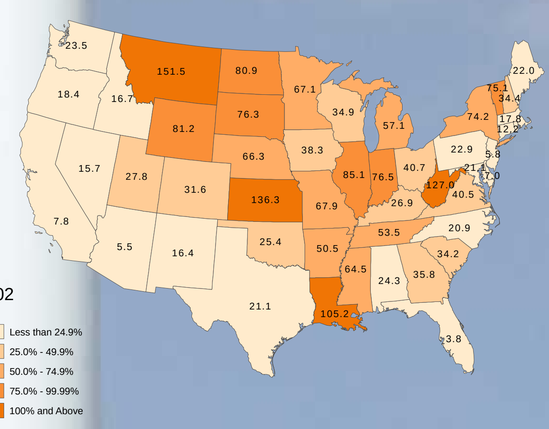
"It is unfortunate that in too many years and in too many states, over 100 percent of U.S. net farm income comes from the farm program safety net, mainly due to low commodity prices. The U.S. Administration's agenda at the World Trade Organization (WTO) to dismantle U.S. federal farm programs seriously jeopardizes the economic future of rural America. Renewable energy (wind, ethanol, biodiesel, biomass etc.) offers very important new rural income streams. But, not all farmers can participate in renewable energy projects and even with rapidly expanding amounts of corn being used for ethanol production, there is projected to be a 2 billion bushel carry over surplus into next year. Corn prices remain at a low $1.80 per bushel in 2006. Consequently, new federal farm programs that move commodity prices higher will be critical."

Larry Mitchell-Washington, DC, CEO, American Corn Growers Association; National Spokesperson, Alliance For Rural America





Government Payments as a Percent of Net Farm Income
Year 2002
Agricultural Policy
Analysis Center-APAC, University of Tennessee



Low corn prices mean higher farm program payments
(In 2000 the average corn price was only $1.85 per bushel)

Higher corn prices from the market reduce farm program costs
(In 2002 corn prices averaged $2.32 per bushel, reducing government payments)

Farm policy that results in higher corn prices from the Market Will reduce or eliminate government payments

"As fuel and other energy costs continue to rise net farm income continues to drop. Federal farm programs are essential components of net farm income due to the corporate-economic-market concentration of agribusiness in commodity markets which holds down farm-level commodity prices."

Keith Bolin-Illinois, President, American Corn Growers Association

"Corn growers bring a wealth of solar-driven resources to the U.S. economic table, including land for and local ownership of wind farms and photovoltaic solar systems, the raw materials and biomass for ethanol and biodiesel and corn itself as a future closed loop, solid fuel source."

Keith Dittrich-Nebraska, Chairman, American Corn Growers Association

ACGF-Poster Abstract Author: Dan McGuire

Wind energy offers a new and critically important means for farmers and rural America to help mitigate two looming economic threats to the rural economy. One threat stems from proposals on the table at the World Trade Organization (WTO). Escalating agricultural input costs from fossil fuel prices is the other threat.

In 2006 farmers and rural citizens face serious economic uncertainty. The federal farm program safety net has accounted for over 50% of net farm income in recent years but may be dismantled or severely reduced given U.S. proposals before the WTO. The U.S. Trade Representative announced plans to slash domestic farm program benefits by 50-60 percent. The WTO agenda, combined with the growing federal deficit, could place farm programs in serious jeopardy, a serious threat to the rural economy.

Farmers face record energy input costs to produce and market their crops while farm-level prices for corn, the nation's largest crop, are at record lows. Wind farming offers a new and important income stream to help weather negative farm income years. Wind energy helps take the pressure off of other energy costs, especially natural gas, the largest input cost factor for nitrogen fertilizer. Wind energy helps lessen dependence on foreign sources of energy, making rural America more sustainable. Wind energy opens the door for more renewable energy farm policy tools via the Energy Title and Section 9006 of current farm law. Wind energy works for rural America! American Corn Growers Foundation

"According to the U.S. Government Accountability Office (GAO) and other studies, locally-owned, community-based wind projects provide at least 3.7 times the economic value to rural communities compared to projects owned by out-of-state entities. Indeed, a new March 2006 economic impact study by Oregon State University on Umatilla County reported that a farmer investor in a 5 MW wind project can expect over five times greater annual projected income over the life the project than for the model providing only land lease payments. "

Dan Juhl-Woodstock, MN, DanMar Associates, Inc.

March 2006 ACGF tour of Woodstock Wind Farms at Woodstock, MN by Nebraska Southeast Community College (Milford Campus) construction class.

What is it that distorts markets?

Dr. Daryll E. Ray, University of Tennessee

We were interested in reading this year's Economic Report of the President, , which contains a chapter on agriculture. One of the main themes of the report is that "support to agriculture can be provided in many forms that are potentially less market-distorting than existing commodity subsidies." In this column we look at the ways the chapter proposes that this less distorting support can be delivered. After looking at ways that farmers can manage risks, the report points out that, in 2005, total payments to farmers of $20 billion constitute "about 6 percent of the US Federal budget deficit for 2005 of $319 billion." **Note the basis for the percentage** is 6 percent of the 2005 deficit, **not 6 percent of federal budget expenditures. As a percent of the Federal budget, the percentage is eight-tenths of one percent (8/10ths of 1%).**

"From an economic perspective," the report argues, "the best way to provide agricultural support would be to focus on forms of support that interfere less with market forces while achieving the desired policy goals." In addition to lump sums that are not tied to market prices or quantities, the report suggests payments that can be made for "activities that benefit the entire farm sector. For example, investments in public goods like infrastructure for rural development (e.g., roads), agricultural research, market promotion, extension and teaching" are considered by WTO as non-market-distorting. So why is the WTO's "production affect" test not violated by government payments to "boost agricultural productivity in the US relative to that in other countries?" **To us it seems inconsistent for the authors of the report** to argue in favor of government sponsored investment in infrastructure and productivity increases **while arguing against government programs that are designed to protect farmers against the inevitable, and occasionally sharp, price declines that result from publicly-financed-supply-growth that exceeds demand growth in a given period.**

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT's Agricultural Policy Analysis Center (APAC). (865) 974-7407; Fax: (865) 974-7298; ; . Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.

Background photo credit: Dan Juhl

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