

Policy Pennings by Dr. Daryll E. Ray

## Can we build on agriculture's energy emphasis to create a full-blown farm/energy policy?

What a difference a few months make. A little over six months ago, corn and soybean prices were the highest they had been in a number of years and everyone was worried about whether or not we would have enough to carry us through until the new crop was ready for harvest. In that intervening period we have seen prices plummet to the point where farmers in many if not most parts of the country will be able to collect LDPs.

What happened? We went from a market dominated by the perception of a potential tight supply situation to one that is facing a potential oversupply as farmers report record or near record harvests. Once again we are faced with the chronic problem of the modern agricultural system. We have the ability to produce an abundance of agricultural commodities. While this ability to produce in abundance is an important element of providing food security for the world's population, it often results in price and income problems for farmers.

After sequestering a stock level that could get us through a second-year repeat of severely weather-shortened crop of last year should it occur, one of the challenges of crop agriculture is to find alternative non-food markets to soak up part of the productive capacity of agriculture which, on average, exceeds food demand at profitable prices. Biofuels is one of those alternative markets, with ethanol production taking the lead. In recent years we have seen the development of ethanol production facilities in rural communities as the result of tax breaks offered by the federal government and various states.

This development fits in well with a longer term view of the world's energy situation. In the long run it is clear that the amount of oil in the earth's crust is finite and alternate sources of fuel will have to be discovered. Ethanol and other biofuels have the potential to provide some of that needed fuel, especially as conversion technologies become more energy efficient. In contrast to solid and gaseous fuel sources, biofuels also fit in well with the current infrastructure that is designed to handle liquid energy resources.

Strange as it may seem to a generation that is used to pumping liquids out of the ground to be refined into gasoline and diesel, at one time one-third to one-half of all farmland was used to provide the energy for the horse "power" that produced the food that fed the nation. It was only

with the advent of the gas tractor that the farm became less important as a source of energy that fueled the growth of this nation.

While crops like corn can be converted into biofuels, dedicated energy crops like switchgrass, can produce more energy per acre than can corn. Why then don't we see farmers changing over to the production of switchgrass? They lack a market. Why don't energy suppliers build plants that can convert switchgrass into biofuels? They don't have a reliable proven source of raw material.

At this point we are in the classic chicken and egg situation. Which comes first the production or the refineries? Fortunately, if we put our heads together we can solve this problem. We also have a source of funding that can be used to jumpstart this process. This year we will undoubtedly be spending billions of dollars on LDPs and other programs to support farm income. If that money were to be used to provide incentives for some producers to switch from the production of corn and beans, crops that are in excess supply, to the production of a non-food crop that could be used for energy production, it would be a win for everyone.

Farmers would win by being able to profitably grow a soil-holding crop and, by reducing the oversupply of food crops, would receive better prices for their traditional crops. Another environmental win would occur through reduced pollution as a result of the reduced use of fossil fuel. Taxpayers would win with the decline in government payments and the nation would benefit from being less dependent on foreign energy.

Can we build on the energy emphasis that agriculture already has nurtured with ethanol and biodiesel to create a full-blown farm/energy policy that makes eminent economic and political sense?

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Originally published in *MidAmerica Farmer Grower*, Vol. 21, No. 41, October 9, 2004  
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