

President's Letter
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I have received several “greetings” from a few of the many agencies that regulate us: EPA, NMED and State of NM Environment Department of Occupational Safety and Health Bureau (OSHA) all in the month of September. I just think the IRS will be next—just kidding, I hope! I don’t think the general public has any idea how many regulations dairymen have to comply with...but it’s all in a day’s work for us.

TB testing is going well. No new cases have been found out of the 30,000 head tested. There are seven (7) more dairies that are scheduled for testing, and if they all have negative tests, we have a good chance of maintaining our TB free status.

I received an interesting article about grain-based ethanol that I thought I would share with you. It’s entitled “*Grain-based Ethanol: 10 Inconvenient, Politically Unpopular Facts*” by Tom Elam (Dr. Thomas E. Elam is president of FarmEcon.com):

“There has been a significant amount of press about grain-based ethanol and its pros and cons. Here are 10 interesting facts about U.S. grain-based ethanol production:

1. Replacing a gallon of gasoline requires about 1.5 gallons of ethanol. To replace current U.S. gasoline consumption of 140 billion gallons per year, it would take 210 billion gallons of ethanol
2. A gallon of ethanol requires the use of about 0.35 bu. of corn. Equated to gasoline’s energy content (ethanol has 66% of the energy of gasoline), each gallon of gasoline replaced takes about 0.54 bu. of corn. Replacing the entire U.S. gasoline supply with corn-based ethanol would require 75.6 billion bushels of corn, or 1.92 billion metric tons.
3. According to a recent U.S. Department of Agriculture study, each gallon of ethanol produced results in a net gain in energy of only 34%. That is, it takes the fossil fuel energy of 0.66 Btu to produce 1.00 Btu of ethanol. Of the total energy used, each Btu of ethanol produced requires 0.16 Btu of petroleum-based liquid fuels. Burning fossil fuels to produce ethanol almost eliminates the purported reduction in human carbon dioxide output that ethanol producers claim.
4. U.S. ethanol production is making almost no difference in the global energy supply. The net energy gain from 2007 U.S. ethanol production equates to the energy of about 1.6 billion gallons (38 million barrels of 42 gal, each) of gasoline. That equates to about three days of Saudi Arabian

oil production, 1.1% of U.S. gasoline consumption or 0.5% of total U.S. crude oil use.

5. The 51 cents/gal. minimum federal subsidy for ethanol blended with gasoline increases ethanol producers' ability to pay for corn by about \$1.40/bu. above what they could pay without the subsidy. Additional state, local and federal subsidies effectively boost the price premium ethanol producers can pay for corn above this minimum level of \$1.40.
6. Given today's cost of ethanol production at any crude oil price above about \$50 per barrel, the grain based ethanol industry does not require subsidies if the price of corn is at or below the 2000-05 average of about \$2.30/bu.
7. The ethanol subsidy program has increased the cost of production of U.S. food (and ethanol itself) by about \$16 billion in 2007. Of that, \$14 billion is increased corn costs, and about \$2 billion is increased costs for soybeans due to soybeans acreage reductions that resulted from the subsidy program. The increased costs are quickly showing up in the form of higher prices for meat, poultry and dairy products. The effect on grain and soybean prices is not limited to the U.S. We are increasing the entire world's food costs by using food to produce fuel for U.S. automobiles. To those who claim that this effect is not real, we should ask this question, "If we shut down the U.S. grain-based ethanol industry, what would happen to U.S. and global grain prices and food production costs?"
8. Attributing all subsidy-induced increases in U.S. food production costs to 2007 grain-based ethanol production results in a true cost of ethanol of more than \$6/gal. of U.S. gasoline replaced.
9. China, seeing the effects of grain-based ethanol on its food production costs, this June banned further construction of ethanol plants using basic foods as feedstocks.
10. Finally, USDA estimated the global 2007 grain crop to be 2.099 billion tons. That estimate includes corn, other coarse grains, wheat, rice, millet and mixed grains. Each percentage point of the U.S. gasoline supply that is replaced with grain-based ethanol uses about 192 million tons of grain.

In other words, every time we increase the grain-based ethanol content of the U.S. gasoline supply by one percentage point, we are using 0.91% of the WORLD'S grain supply. Reaching a 100% E10 share in the U.S. will require converting 9.1% of the entire world's supply of grains into ethanol for U.S. fuel use. Reaching 50% grain-based E85 content in the U.S. gasoline supply would use 38% of the world's 2007 grain crop. To keep the numbers in perspective, just remember this one fact: Every time someone buys a 20 gal. fill-up with grain-based E10, they are buying 2 gal. of ethanol that took

0.71 bu. (40 lb.) of corn to produce. The corn in that fill-up could produce one 25 lb. hen turkey or about seven 5 lb. broilers.

In summary, grain-based U.S. fuel ethanol production is using an increasing amount of our global food supply, increasing the global costs of food production and contributing almost nothing to U.S. or global net energy supply. In effect, by linking food and energy costs through grain-based ethanol, we have ransomed our food costs as well as our energy costs to the interests of global crude oil producers. The case can be made that given current and prospective global food demand, energy costs, the increased vulnerability of overall U.S. economic interests and the profitability of grain-based ethanol production, it should be taxed, not subsidized. In this case, China has it right. When will the U.S. wake up to the real (if somewhat inconvenient for some special interest groups) facts of grain-based ethanol production?"

If that doesn't tick you off, this will. As you all know, our brother dairymen in Chaves County have spent the last two years organizing their Biomass Cooperative to use the solid waste we have to help the environment. They have done a great job. They have everybody on line and they are ready to start it up! Know what? No one wants to buy the power that they can provide. Yes, that's right, not any of the cheese plants or utilities. What is with that? When you can make energy out of waste and help the environment, it's a win-win deal. It's a slap in the face for all dairymen. DPNM will be doing all it can to get some pressure put on the power companies to remedy the situation.

Here's one more thing that has me going. I had some relatives from the Netherlands over for holiday. We traveled all over our great state. When we got to Santa Fe, I was very surprised to see that gas and diesel was up to .20/gal cheaper than anywhere else in the state that we had been. How does that work out when in the east and south of the state we have refineries?

Until next time, have a good one.