Nebraska Farm Report: Biofuels Mania

Don Eret, a farmer and former state legislator in Dorchester, Nebraska, described the scene in his state to *EIR* on May 24—Nebraska being the third-biggest corn state in the country, with 11 ethanol plants operating, and more under construction. Eight of these plants are in Nebraska's central/eastern region, surrounding Eret's farm in Saline County.

Eret points out how the over-stretched transportation base is straining to service the ethanol mania. Since the rail grid has been drastically taken down, by over a third in the last 30 years, the pressure is heavy on the diminished rail system, and on trucking, to shunt the corn around to the ethanol plants. The local farm co-operative's truck fleet of 25 semis constantly hauls grain—using diesel fuel. Eret lives along the Burlington-Northern main line, and sees two 120-car unit trains loaded out each week (each takes 12-15 hours to load). This shipping includes destinations for export. But cross-hauling is now increasing just to serve the expanding number of bio-fuel plants.

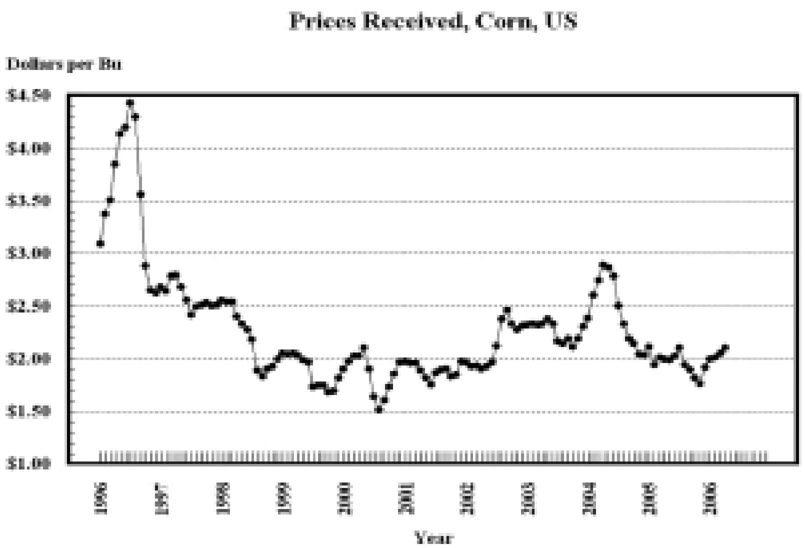
Then, there is the added pressure to ship and use the corn mash by-product of ethanol production, for livestock feed. The mash can be used as is, or dried and stored. But to save the energy costs involved in feed processing and storage, the ethanol plants try to contract with feedlots, to ship out the mash from the distillery direct to the feeders, before it goes bad after a couple days. Cargill ships out mash from its Blair, Nebraska plant (near Omaha), on a 120-car unit train direct to Texas, by express rail, within 48 hours of production.

In the farm states, Eret says, one sees real mania being whipped up. Nebraska Sen. Ben Nelson (D), campaigning for re-election, "is fighting for his political life, has made biofuels almost his 100% issue." And it is rumored that the reactivated American Agriculure Movement—which coordinated the 1979 Tractorcade of 5,000 tractors/50,000 farmers to Washington D.C. to protest farm policy, will again call for a national tractorcade—for bio-mass! Eret himself drove in the 1979 Tractorcade from Nebraska.

But the popular media report that there is a big farmer involvement in, or benefit from, all the ethanol expansion, is a misconception. Eret reported the example of a big push now underway for a new ethanol plant in Fairmont, Nebraska; organizers are attempting to restrict it to local farmer investors. However, not many farmers—just like non-farmers in the 80% lower income brackets—have the funds sitting around to put into any venture at all. Some are attempting to take out loans, using their farms as collateral, with all the risk that that involves. Some are cadging relatives. Desperation is rampant, in the form of visions of a "pot of gold."

The myth has been promoted that ethanol will drive up corn prices, helping corngrowers. In fact, the math of ethanol plants is—take note, if you are a farmer investor—that if corn prices rise significantly, then the profits of your ethanol distilleries vaporize.

Today, the U.S. price of corn is running between $2.13 and $2.50 a bushel depending on location, delivery date, etc. But the parity price (to meet the farmer's cost of production plus fair profit) is $7.78 (April 2006, U.S. Department of Agriculture). Parity is the combined expenses of seed, fuel, cultivation, fertilizer, labor, and a modest profit to the farmer in producing that crop, in order to guarantee the existence of the family farm sector output potential (soil fertility, experienced farmers, capitalized operations, etc.) for the future. Keeping corn prices paid to the farmer low, ensures great profits to ADM, Cargill, and the other cartel companies, and to the small handful of farmer investors in ethanol production, now seeing windfall profits.



In 1977, for producing a bushel of corn, the farmer received $1.98, which was 57% of parity at that time. In 2006, in January, for a bushel of corn, the farmer still received $1.99, now 26% of parity.

That farm prices are easily manipulated for political purposes on the futures markets, is clearly shown in **Figure 1,** tracking the corn price. In 1996, a radical free-market farm law, the Freedom to Farm Act, was proposed. During the time of Congressional debate, passage, and President Clinton's signing of the bill in April 1996, the price of corn mysteriously hovered in the range of $4 a bushel. The cry went up: "See how great the prices can be on the free market!" After the bill was signed, the price, just as mysteriously, fell, never to reach that level again. So it could easily be made to seem with ethanol—for a short while.