



VEETC

Beef Trade

Regulations

Nebraska
CornBoard

The Long and Winding Road

The path to profitability for corn farmers is paved with good intentions—and riddled with potholes and detours.

Let's look back to 1999 – when corn production reached 9.4 billion bushels. Yields were 133.8 bushels per acre and each bushel was worth, on average, \$1.82.

Could you have imagined then that farmers across the country just a few years later would grow 12 billion to 13 billion bushel crops? See yields of 165 bushels? And see average corn prices in the \$4.00 range?

Farmers have done exactly what they set out to do: Develop and grow new markets and produce the corn to meet them.

While farmers have proven worthy of the task, before us stand some pretty important issues: the ethanol tax credit VEETC, beef trade with Japan, excessive regulations and more.

These are big, tough issues that take time and consistent effort to overcome. Yet we must examine the value of the effort. Where would corn markets be today without the livestock industry? What about a strong ethanol sector? Or if we lost export markets for corn, corn co-products or beef and pork? Would regulations requiring you to reduce dust impact your bottom line?

These are real issues. Critical issues. All have the potential to send us back down the road to a place we really don't want to be. In this issue of CornsTALK, we take a look at some of the challenges facing farmers and agriculture today – challenges that have the potential to set us back – and also examine some of the opportunities that may move demand forward. We'll provide a few details and outline our concerns with the hope that when called upon, you'll be ready to jump in and take the wheel.

CornsTALK

www.NebraskaCorn.org

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VEETC

Tax credits, higher blends way to move ethanol forward

OPPORTUNITIES

- Support domestic job growth
- Grow the market for renewable fuels
- Lessen our dependence on foreign oil
- Encourage new biofuel investments

CHALLENGES

- Congress unwilling to move in election year
- Misinformation from anti-ethanol crowd
- Mixed messages from EPA

For many years, the Volumetric Ethanol Excise Tax Credit (VEETC) has been part of U.S. biofuels policy. Known as the blenders credit, VEETC currently provides a tax credit of 45 cents per gallon of ethanol blended with gasoline, with the credit going to the blender. It provides a critical incentive for blenders to continue developing the infrastructure for ethanol – no matter if that ethanol is derived from corn or other sources.

It also helps ensure that the biofuels sector will continue to grow and advance – because encouraging the use of ethanol also encourages investments in biofuels. Investments mean jobs, research and new technology.

VEETC is set to expire at the end of the year, but an extension has been packaged in the Renewable Fuels Reinvestment Act (RFRA) – one of the important priorities this year for corn growers when they visited legislators in Washington, D.C. Packaged with a five-year VEETC extension in the proposed legislation is a small ethanol producer tax credit and a tariff on imported ethanol.

The tax credit for smaller ethanol producers – those that produce 60 million gallons or less per year – helps ensure their position in the market, while the tariff ensures U.S. taxpayers are not supporting foreign ethanol producers via the blenders credit. Combined, VEETC and the tariff also help domestic ethanol producers compete against heavily subsidized foreign ethanol, including ethanol produced in Brazil.

Research shows that without VEETC, demand for domestic ethanol could reduce U.S. ethanol production an estimated 37.7 percent – and drive corn prices down by 32 cents per bushel. This, of course, would not only devastate the ethanol industry, but it would impact rural communities and farmers.

One study estimated that without the measures supported in RFRA, the U.S. would see 112,000 jobs disappear – with 13,700 of those coming from Nebraska. State and local governments across the country would lose an additional \$2.7 billion in tax revenues.

Blender pumps like this allow motorists to fill up their flex fuel vehicles with their choice of a higher ethanol blend like E20, E30 or E85. The number of blender pumps in Nebraska is growing thanks to a grant program by the Nebraska Corn Board and other incentives. Additional grants are available for station owners – just contact the Nebraska Corn Board for more information.



Yet despite all the good that comes from extending the blenders credit and supporting the ethanol industry, some groups remain opposed. Specifically, of course, are groups that oppose ethanol on all fronts, so their resistance was not unexpected. Foreign ethanol producers – specifically ethanol from Brazil – also want to see RFRA fail, which may give their subsidized fuel a chance to infiltrate the domestic market.

At the Nebraska Corn Board's urging, more than 1,000 Nebraska farmers signed on to support the extension of VEETC and RFRA – as did thousands of other farmers across the country. Yet, at press time, VEETC remains stalled in Congress, marred by politics and a well-funded misinformation campaign lobbied by those who oppose corn ethanol.

HIGHER ETHANOL BLENDS

While legislators put off maintaining ethanol incentives, the Environmental Protection Agency put off issuing a final decision on a request allowing up to E15 – a 15 percent ethanol blend – to become a standard fuel across the country and help ethanol move past the blend wall. EPA said it was waiting for additional studies and was expected to issue a response on cars 2007 and newer in October as CornsTALK was going to press.

While EPA approving E15 for some cars is positive – and certainly follows the more than 5,000 comments to EPA submitted by Nebraskans via yellow postcards mailed by the Nebraska Corn Board – it may also lead to confusion in the marketplace, such as: "Is E15 unsafe for older cars?"

That question, of course, plays into the hands of the anti-ethanol groups who believe that E15 is "untested" – even though dozens of tests have been completed and the Department of Energy is running its own tests on behalf of EPA.

While the Nebraska Corn Board and other corn, ethanol and research organizations across the country fully believe E15 is safe for all vehicles, it may take additional time for EPA to finish that research. In the meantime, the Nebraska Corn Board and other states have asked EPA and President Obama to lift the ethanol blend rate to E12 – an intermediate step.

The bottom line is, if we want to get to the future – a future where biofuels play a more significant role in our fuel supply – we have to get past E10. There's no other way.



By Don Hutchens, Executive Director

I'm not sure where the summer of 2010 went, but with it we may have seen some opportunities slip through our fingers in agriculture.

For us in the corn industry, it was difficult not to have the support that we worked so hard to get for what is known as the ethanol blenders tax credit. We think it is important to build a more solid foundation for the 24 ethanol plants in the state, for our rural communities in those areas and for the jobs they create.

Our board members, along with the Nebraska Corn Growers Association called, arranged meetings and traveled to Washington, D.C. to carry the message that we need to keep our ethanol industry viable. Nebraska is the third-largest corn producing state and the nation's second-largest ethanol producing state, so we have a dog in this race. Your calls to our Congressional delegation are still important; the blenders tax credit is due to expire at the end of this year.

For our friends in the livestock industry, we have watched lost opportunity after lost opportunity slip away with failed free trade agreements (FTAs) – with Columbia and South Korea – while Canada and other countries move forward with established FTAs. Our hope in keeping the livestock industry profitable and adding value to our corn is to export our value-added meat to other countries around the world.

World population is expected to pass 9 billion by 2050 but if we can't establish our industry as a strong competitor to Brazil, Argentina and a host of other countries we may see this opportunity slip away as well. The Administration needs to move on these FTAs. There's also the lost opportunity to sell more beef, pork, corn, soybeans and dry edible beans to Cuba – we need our own Congressional help on this issue as well.

Sometimes our lost opportunities are self-inflicted. We struggled this summer to get all of the ethanol industry on the same page. It came down to everyone having similar goals, but holding different road maps on how to get there – tax incentives or infrastructure; E15 or E12. We watched as states like North Dakota, South Dakota, Minnesota, Iowa and Illinois positioned themselves to put in hundreds of blender pumps while we worked to do a dozen due to red tape, concerns over liability, fire marshal concerns, oil company rules and, yes, money to help defray cost.

Lastly, we struggle to find the right cords to strike in educating others that it may be the combination of commodity checkoff programs and farm organizations working together that can turn these lost opportunities into major developments for our rural communities to blossom instead of withering away. If we don't move more quickly on these issues, we will watch as South America, Ukraine and China outmaneuver us for ag production and exports.

From the Corner Office

Will ethanol's road West come to an end?

CARB'S rule

Just as ethanol began making a significant impact in our nation's fuel system, the California Air Resources Board (CARB) adopted a low carbon fuel standard that penalizes corn-based ethanol for indirect land use changes based on a theory. The penalty will, over the next couple of years, eliminate corn-based ethanol from the California market – the biggest fuel market in the country and a critical customer for Nebraska ethanol producers.

The Nebraska Corn Board estimates that just over 30 percent of Nebraska's ethanol with a value approaching \$1 billion goes directly to California's fuel market.

While the ethanol industry is united against CARB's rule – and backed that with a lawsuit against CARB – so are more than 100 scientists who argued that the rule uses improper model assumptions and faulty science on their adoption of the indirect land use penalty.

That notion was supported when the model used by CARB was updated – and cut by more than half the original land use change penalty on corn-based ethanol. The Nebraska Corn Board continues to argue that the notion of indirect land use change is an unproven theory – not science – that lives on despite real-world evidence and questions as to how CARB will be able to update its regulations and justify the theory as the model it uses is further refined.

The Nebraska Corn Board also asked the Nebraska Attorney General to provide the court with a supportive brief as part of the lawsuit filed against CARB.

Even more frustrating is that CARB is giving a free pass to any oil originating in California, Alaska, Saudi Arabia, Ecuador, Iraq, Brazil, Mexico and Angola – a free pass for 95 percent of California's petroleum market.

This could, perhaps, explain why major oil companies do not loudly object to CARB's low carbon fuel standard – at the same time several CARB members have close ties to the oil industry. Yet if we believe in reducing carbon can we really believe oil has no impact? Or that oil has no indirect land use change? Just think of Nigeria or the tar sands in Canada.

Ethanol, meanwhile is only getting cleaner because farmers are producing more corn per acre and ethanol plants are getting more efficient. A University of Nebraska study from 2009 shows that corn ethanol directly emits an average of 51 percent less greenhouse gas than petroleum-based gasoline. A more recent study from the U.S. Department of Agriculture said the net energy balance for corn ethanol has increased from 1.76 to 2.3 BTUs of required energy – for every 1 BTU of energy put into corn ethanol (from growing the corn through making ethanol), you get 2.3 BTUs of energy in return. At the same time, ethanol yields per bushel have increased about 10 percent in the last 20 years.

We just need to keep reminding CARB.



OPPORTUNITIES

Set the record straight on land use

Demonstrate growing efficiency of farming, ethanol production

Expand an important ethanol market

CHALLENGES

Unwillingness to adopt new science

Nearly a dozen states following California's lead

Relationships with Big Oil

Regulatory onslaught proves frustrating

Concerns are running high all across the agriculture community over an onslaught of proposed regulations, requirements and on-going reviews by the Environmental Protection Agency.

In fact, the list of EPA focus areas just since 2009 was summarized nicely by the Nebraska Farm Bureau and includes:

- ◆ New hazardous emission regulations for stationary irrigation engines.
- ◆ A re-evaluation of atrazine, despite 4,000 studies establishing its safety.
- ◆ EPA's "Endangerment Finding" gives it authority to regulate greenhouse gases under the Clean Air Act.
- ◆ The revised Spill Prevention Control and Countermeasure compliance requirements will require individuals with more than 1,320 gallons of above-ground fuel or milk storage to establish a spill prevention plan.
- ◆ Proposed revisions to coarse particulate matter (dust) standards, may trigger restrictions on everything from gravel roads to farm field activities.
- ◆ Proposed revisions to ozone standards.
- ◆ Action to expand federal authority over individual states' management of surface water quality.
- ◆ New Concentrated Animal Feeding Operation (CAFO) air emission reporting regulations.
- ◆ Expansion of Clean Water Act permit requirements that leave open the option of regulating common pesticide applications.

That's a long list – and it has the potential to impact every segment of agriculture.

It's also why hearings on EPA actions involving agriculture have been held at the Capitol – and why the Nebraska Corn Board and Nebraska Corn Growers Association spend time talking about these issues to farmers and political leaders.

In many cases, agriculture's perspective is not being considered in EPA's decision-making process. In other cases, it appears as though activists are setting the agenda.

Take the case of atrazine – it was re-registered by EPA in 2006 after many years and scientific review panels and additional studies. Yet EPA launched another "re-review" with multiple scientific advisory panels on very short timelines – all based on one-sided news articles quoting activists and not on new science.

Rural dust is another area that has farmers worried. How much particulate matter – dust – is too much? How low will the requirements go over time?

Amazingly, the American Lung Association urged EPA to adopt stricter limits and suggested that rural communities can simply pave gravel roads and farmers can utilize more no-till practices to reduce dust from fieldwork and diesel emissions from tractors (even though new Tier IV engine emission farm equipment is already on the way and no-till and minimum till are fairly common nowadays).

OPPORTUNITIES

- Educate policymakers and regulators
- Demonstrate environmental advances
- Research new technology and methods

CHALLENGES

- Loss of safe, proven farm chemicals
- Increased permitting, paperwork and costs
- Regulators lack of agriculture knowledge
- Influence of anti-ag activists

EPA FOCUS

agriculture

All the potential regulatory nightmares on the list require providing comments, discussions with regulatory authorities and meeting with Congressional staff to demonstrate the advances farmers have made and show how farmers are using new technology and farming methods to care for the environment.

It also requires patience – a great deal of patience.

EPA's proposed revisions to coarse particulate matter (dust) standards may trigger restrictions on everything from gravel roads to farm field activities – and the American Lung Association chimed in that communities could simply pave all roads.



Trade can help keep agriculture strong

Strong trade means a strong infrastructure

Three years ago, Congress passed the Water Resources Development Act of 2007 (WRDA) – and passed it again after a Presidential veto. Despite this, WRDA has sat unfunded and no significant improvements have been made to shipping waterways vital to the export of U.S. agriculture products.

WRDA targeted a significant amount of funding to river improvements along the Upper Mississippi and Illinois rivers, including replacing old, smaller locks with larger ones. The upgrades would speed the movement of grain down river and agriculture inputs up stream. It would also make environmental and ecosystem improvements along the rivers and watersheds.

While farmers across the country – including from Nebraska – have discussed this with members of Congress and others during fly-ins to Washington, D.C., WRDA remained unfunded in “stimulus” bills and our waterway infrastructure continues to deteriorate.

Farmers and ranchers across Nebraska and the country have the ability to produce an abundance of products – so much so that agriculture has more than a \$20 billion trade surplus, powered by more than \$95 billion worth of exports in 2009. Estimates through July show that 2010 will likely finish ahead of 2009.

Because of the ability of U.S. farmers to efficiently produce high-quality products, exports are critical to the bottom line for many farmers. The U.S. Grains Council (USGC) estimates that corn exports add 7 cents to the value of each bushel, while the U.S. Meat Export Federation (USMEF) estimated that beef and pork exports added more than \$115 and \$35 per head of cattle or hog processed, respectively, in 2009.

Despite the tremendous benefits brought to agriculture by trade, new trade agreements with South Korea, Colombia and Panama that would greatly benefit agriculture sit signed but not in force. They have yet to be approved by Congress – and have been sitting in limbo for three or four years.

The South Korean free trade agreement (FTA) would provide a boost to grain exports by zeroing out tariffs immediately while beef and pork tariffs would decrease over time. This is important because existing meat imports are subject to large tariffs that make U.S. beef and pork more expensive.

In the way of the deal are disagreements about trade involving automobiles with U.S. auto manufacturers not in favor of the FTA. This is typical with the other agreements with segments of different industries pushing to let the FTAs sit. In general it’s purely political – and puts America’s farmers at a disadvantage in the global marketplace because other countries are moving forward with trade agreements.

Other trade issues include Russia banning U.S. pork and poultry products seemingly at will and Japan continuing to hamper U.S. beef sales by unnecessary and unscientific restrictions. Meanwhile liberalized trade with Cuba remains stuck, marred by our own political climate – even though U.S. ag sales to the island nation could double if trade restrictions would be eased.

All of these issues cut into the income of farmers and ranchers in the U.S.

It’s also why the Nebraska Corn Board continues to push for trade agreements and common sense in Washington, D.C., and partner with USMEF and USGC to promote U.S. agriculture products overseas through trade missions, promotions and other events.

Success in shipping U.S. agriculture products overseas contributes to the success of farmers and provides a boost to the economy as a whole, especially for jobs in rural communities.

Putting trade on the back burner will not move us forward.

OPPORTUNITIES

Increased exports boost economy

Meat exports support livestock markets

Stay competitive in key markets

CHALLENGES

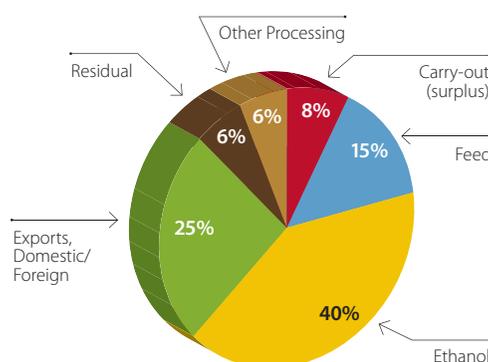
Non-agriculture issues in the way

Little urgency in Congress

Competitors moving ahead with trade deals

Financials
Summary of Annual Report

2010-11 Nebraska corn uses
(% of total supply)



| | (millions of bushels) |
|---|-----------------------|
| Carry-out (surplus) | 131 |
| Feed | 267 |
| Ethanol | 678 |
| Returns 4.2 million metric tons of distillers grains as feed. | |
| Exports, Domestic/Foreign | 421 |
| Residual | 105 |
| Other Processing | 104 |
| Total | 1706 |

With 2010 corn production estimated to be 1.5 billion bushels as of Oct. 8, Nebraska corn farmers are meeting all demands for corn in the state plus exporting a significant number of bushels to other states and around the world – and maintaining a positive carry-out figure going into next year.



▲ Ads like these in newspapers, on delivery trucks in Lincoln and grain trailers across the state feature **real Nebraska corn farmers** and provide important facts about farming today.



By Alan Tiemann, Chairman

A year ago at this time newspaper and radio ads focusing on Nebraska's largest cities spread throughout the state were carrying important messages about Nebraska's corn farmers. We believe this was a very successful campaign, tagged "Sustaining Innovation", conducted by your Nebraska Corn Board and the Nebraska Corn Growers Association.

We've built upon the positive messages this year, using some great photography that features Nebraska corn farmers and their families, while incorporating radio and other opportunities in partnership with Olympic gold medalist Curt Tomasevich. Combined, we are reaching more people in more ways than ever before, which means more people are learning about the great things corn farmers do every day.

While we strongly believe Nebraskans support their farmers and farm families, we cannot allow others who have a contrarian view of agriculture and corn production to control what people hear and learn or to misrepresent the facts. We must be there, too. We must be out in front talking about what we do and why – and the tremendous benefits for Nebraska, the country and world as a whole.

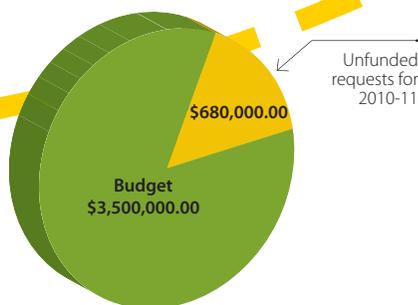
While corn farms come in all shapes and sizes, at the end of the day 95 percent of farms across the country are family owned. And I know most of those family-owned operations would like to see that land and commitment go towards providing the country with feed, fuel, fiber and more stay within the family for future generations.

If you look at it that way, it makes sense that farmers would do what they can to care for the soil, water and environment as a whole. It makes sense that they would judiciously use the latest technology in precision agriculture, seeds and chemicals. It makes sense that they would support research and other activities that will benefit them in the future. And it makes sense that they would stand up to defend their livelihood.

This is why the corn checkoff conducts important educational campaigns like "Sustaining Innovation" geared towards larger population centers in Nebraska – but features components that reach out across the state. Your good works and efforts provide the positive stories and messages. It's real Nebraska corn farmers in action.

FieldNotes

2010-11 Nebraska Corn Board Budget



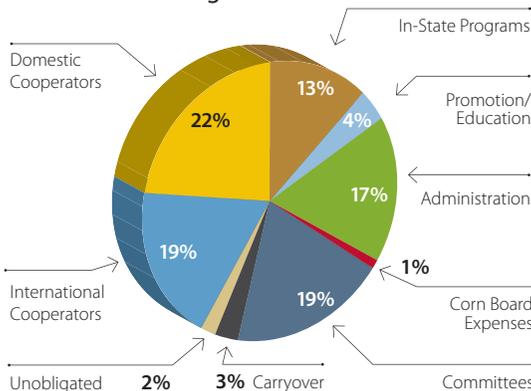
The Nebraska Corn Board's balanced budget for 2010-11 was set at \$3.5 million, a decrease of \$460,000 from the 2009-10 budget year.

Established in 1978, the Nebraska corn checkoff is overseen by the Nebraska Corn Board. Funding comes from the 1/4 cent per bushel checkoff that is collected at the time corn is first sold to a buyer. The Nebraska corn checkoff is the lowest among all major corn producing states.

With critical issues continuing to impact farmers and agriculture, the board anticipates being faced with funding challenges annually. This will make it difficult to respond to critical issues and assist national cooperators who target promotion and education in Washington, D.C. and elsewhere – including federal regulatory and congressional agendas.

For more information, please visit www.NebraskaCorn.org or contact the Nebraska Corn Board. In addition, the board has a full annual report, comprised of more than 400 pages, that it can provide upon request.

2010-11 Nebraska Corn Board Budget Breakdown





Nebraska Ag Classic set for December 14-16

The sixth annual Nebraska Ag Classic will be held at the Ramada Inn in Kearney December 14-16. Visit www.neagclassic.org for a full schedule and to register.

The agenda includes David Martosko of the Center for Consumer Freedom who will speak about his efforts to expose the Humane Society of the United States and their tactics and true agenda. He will also moderate a panel that includes Jack Fisher of the Ohio Farm Bureau, Chad Gregory of the United Egg Producers and Craig Head of the Nebraska Farm Bureau.

Other speakers include Mark Gold with Top Third Ag Marketing, Larry Kopsa with Kopsa & Associates and a representative from Go Grain LLC, a discount commodity futures trading online firm. During the closing lunch, Karen Ross, undersecretary for the Secretary of Agriculture, will discuss current national agriculture issues.

Gold medalist promoting Nebraska's gold



As part of efforts to reach out to consumers with positive messages about corn and corn farmers, the Nebraska Corn Board partnered with Curt Tomasevicz, the Olympic gold medalist from Shelby. Tomasevicz appeared at the State Fair, Husker Harvest Days and the Nebraska/Texas football game to provide positive corn messages to consumers and work with the media. He also recorded radio ads that air during Husker football games. Autograph cards and other handouts that include a photo of Tomasevicz plus important corn facts are made available at other events and activities across the state.

Dickey's term on NCGA comes to an end



Bob Dickey's term as chairman of the National Corn Growers Association came to an end September 30 – ending a seven-year run on the grassroots organization's board, where he served as president last year and vice president two years ago. Dickey is a farmer from Laurel who continues to serve on the Nebraska Corn Board. "I believe everyone should support and work to improve the industry in which he or she is making a living," Dickey said. "Serving on the NCGA board has been a very rewarding experience and I have many fond memories."

In September, the Nebraska Corn Board and Nebraska Corn Growers Association recognized Dickey's efforts and his long history of working on behalf of farmers both in Nebraska and across the country.

In July, Jon Holzfaster, a farmer from Paxton and member of the Nebraska Corn Board, was elected to serve on NCGA's board.



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.



District 1
Dave Nielsen
Lincoln, NE



District 2
Mark Jagels
Davenport, NE



District 3
Curtis Friesen
Henderson, NE



District 4
Bob Dickey
Laurel, NE



District 5
Tim Scheer
St. Paul, NE



District 6
Dennis Gengenbach
Smithfield, NE



District 7
David Merrell
St. Edward, NE



District 8
Jon Holzfaster
Paxton, NE



At-large
Alan Tiemann
Seward, NE



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