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STATEMENT BY
THE AMERICAN FARM BUREAU FEDERATION
TO THE
HOUSE SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES
REGARDING
SCIENTIFIC INVENTORY OF OIL AND
GAS RESOURCES ON FEDERAL LANDS

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Presented by

Al Christopherson

President,

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Chairman Cubin, members of the Subcommittee, my name is Al Christopherson, I farm near Pennock, Minnesota and am president of the Minnesota Farm Bureau Federation. I am representing the American Farm Bureau Federation (AFBF) and appreciate this opportunity to express how vitally important reliable and affordable energy is to American agriculture. AFBF also appreciates the opportunity to share our concerns about America's looming natural gas crisis, the impact the crisis is having on U.S. farmers and ranchers, the need to have accurate inventory data and the need to fully utilize our country's energy resources.

Agriculture is more energy efficient than ever before. From the tractors used to work the fields and raise the crops to the industries responsible for refining raw commodities into the final products consumed by the public, energy use has decreased dramatically in agriculture. More than ever before, America's agricultural engine is producing more and more economic benefit with less and less energy. While these energy savings have been realized a growing U.S. economy and population will need more energy security in the future.

A key energy feedstock of vital importance to agriculture and associated industries is natural gas. According to the American Chemistry Council the price spike seen in natural gas futures this past winter equates to paying over \$12 for a single gallon of milk and over \$9 for a single loaf of bread. While prices have moderated somewhat following the price spike, the current price of \$6 per million Btu for natural gas is nearly three times the historical cost average of \$2. The negative economic impact of a three-fold increase in the price of natural gas is dramatic.

Federal Reserve Chairman Alan Greenspan, in testifying to the House Energy and Commerce Committee, stated that high natural gas prices "have put significant segments of the North American gas-using industry in a weakened competitive position against industries overseas." Mr. Greenspan went on to say that the current crisis in the availability and price of natural gas could have a significant negative impact on the current U.S. economic recovery. Natural gas is the primary feedstock in the production of virtually all commercial nitrogen fertilizers in the United States. According to The Fertilizer Institute, the planting season of 2000 saw fertilizer at a cost of around \$100 per ton. During this spring, farmers faced prices of \$350 or more per ton. According to the USDA the impact on the farm will mean that the American farmer will pay an extra \$10 to \$15 per acre more than last year's already high fertilizer prices. Overall, the U.S. agricultural sector estimates the added expense at \$1 billion to \$2 billion more than last year just to get the crops

planted this spring. Unfortunately, high natural gas prices are threatening the existence of what remains of the fertilizer industry in this country and may further exacerbate America's dependence on foreign sources for not only our energy but also our food and fiber needs.

In addition to extremely high fertilizer prices, diesel fuel prices are 40 percent higher than historical averages and electrical prices threatening to sky-rocket as the summer heat begins in earnest. All these energy factors add up to much higher production costs for American agriculture. With the razor thin margins already being experienced in agriculture and the prospects of high energy prices for the foreseeable future, this added expense cannot be passed on in the price of agricultural commodities.

The current natural gas crisis is a prime example of the failure of today's U.S. energy policy. On one hand, Congress, along with several federal agencies and programs have rightfully encouraged, via incentives, expanding the use of natural gas as the environmentally friendly alternative feedstock for electrical generation, home heating and industrial manufacturing. At the same time, the federal government has increased the regulatory burden on domestic natural gas exploration, drilling and production and placed moratoriums on many energy-rich areas such as the Outer Continental Shelf (OCS), the Gulf of Mexico and federal lands. If left unchanged, the U.S. energy policy toward natural gas today will certainly result in the loss of even more of our energy independence tomorrow.

The energy price instabilities being experienced today do not need to become a more serious energy crisis in the years to come. Nor does America need to become so dependent on foreign sources when it comes to natural gas than what we are currently on crude oil. Energy rich repositories such as the OCS and federal lands must be reconsidered for environmentally safe oil and gas exploration and production immediately. The advancements made in oil and gas-drilling technology will make such an effort the most environmentally sound and responsible capturing of energy feedstocks ever conducted.

Renewable energy sources must also play a vital role in America's future energy strategy. Overall, AFBF believes very strongly that America must develop a diversified energy strategy that lowers our dependence on foreign energy sources and improves our domestic supply, including increasing environmentally safe, domestic production on our federally owned lands and resources.

While there is no single solution to secure America's energy future, Congress must take steps to add balance to the U.S. energy equation. By acting, the 108th Congress can strike a balance by increasing the domestic production of conventional energy sources and developing renewable energy sources. This will reduce our reliance on foreign sources for our energy needs today and reassert America's energy independence for future generations.

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