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Testimony of Fred Yoder

Chairman

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House Subcommittee on Energy and Mineral Resources

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Good morning, Chairman Cubin and Ranking Member Kind. Thank you for the opportunity to testify on Rep. Pearce's bill, H.R. 4984, to reduce the royalty rate on potassium and potassium compounds mined from federal lands.

My name is Fred Yoder. I am Chairman of the Board of the National Corn Growers Association (NCGA). I am from Plain City, Ohio, where I grow corn, soybeans and wheat.

NCGA was founded in 1957 and represents more than 33,000 dues-paying members from 48 states. NCGA also represents the interests of the more than 300,000 farmers who contribute to corn checkoff programs in 19 states. NCGA's mission is to create and increase opportunities for corn growers in a changing world and to enhance corn's profitability and use.

My purpose today is to provide the subcommittee with insight into the importance of potassium as a plant nutrient and fertilizers in general to modern production agriculture. While NCGA has not taken a formal position on H.R. 4984, corn growers generally support greater access to U.S. potash resources. We believe in the wise use of our natural resources and support programs and policies that ensure their availability. We support greater access to U.S. supplies to help ensure a reliable source of potash for farmers.

Potassium as a Nutrient

There are three main nutrients essential to plant growth and health. They are nitrogen (N), phosphorus (P) and potassium (K). Nitrogen is the main nutrient for growth. Phosphorus promotes root development to strengthen plants. Potassium improves the overall health of a plant. It helps plants withstand weather extremes and guards against disease. It also is the main ingredient influencing photosynthesis and energy production.

The lack of potassium causes a variety of symptoms including retarded growth and lower yields and quality. Attached to copies of my written testimony is a photograph showing potassium deficiency in corn. K is absolutely vital. Without it, farmers would see a 20 percent decrease in yield on average.

Generally, potash is applied in the spring and fall. Usually, it is combined with the other two main fertilizers, N and P. It is applied using a planter and broadcast (sprayed) onto the ground. Sometimes, it is applied in a pop-up fashion where it is dribbled onto the ground along side of the seed. This gives the seed easy access to this nutrient. Fall application is used to help the soil recover from the growing season and harvest.

The Importance of Fertilizers

In 1876, the University of Illinois set aside a number of fields so its scientists could conduct agronomic experiments. These plots have been used ever since. Today, they include the longest-term, continuous corn plot in the world. When the plots were established, corn sold for 30 cents a bushel and the state's average corn yield was 30 bushels an acres. Now the average yield is 138 bushels per acre.

The original question the plots were set aside to answer was whether the productivity inherent in Illinois's deep, black prairie soils could be sustained and how various cropping systems would affect yield and soil properties.

No soil treatment was applied to the plots until they were nearly 30 years old. By then, it was well known that the highly fertile prairie soils could be depleted and that depletion could be postponed by rotating crops.

Beginning in 1904, basic fertilizers were added to half of each plot. Fifty years later, the unfertilized corn was yielding less than 25 bushels per acre. While the fertilized corn, in a three-year crop rotation, was averaging more than 100 bushels per acre.

The plots tell us a story of both warning and promise. The warning is that continuous cultivation without proper care decreases yields and affects crop quality. The promise is that adequate fertilizer and appropriate crop rotation allows us to reap the benefits of our soils and keep it productive for our children and grandchildren.

For more information on the Morrow Plots go to www.cropsci.edu/research/rdc/urbana/morrow.html or contact the Crop Sciences Department at the University of Illinois.

Market Watch and Impact

Across the cornbelt, potash is selling for \$163-173 per ton at regional warehouses, but fertilizer dealers are experiencing long delays in receiving shipments. Demand is strong, but supplies are short. There is some concern among dealers about potash inventories because of delivery delays. One potash supplier was quoted last week as saying supplies were critically short. In some instances, new orders are being refused. Tight supplies are causing prices to rise after several years of stable prices. This year they are up 37 percent over last year's levels.

The primary reason potash and fertilizer prices have increased so dramatically is due to the high cost of natural gas. The largest cost component of making all basic fertilizer products is natural gas, accounting for more than 90 percent of the cash cost of production.

The administration's National Energy Policy, released in May 2001, recognized that natural gas is an important part of farm production costs. Natural gas accounts for 70 to 90 percent of the cost of producing anhydrous ammonia, a key source of nitrogen fertilizer. Retail prices for fertilizer – prices paid by farmers – rise sharply when natural gas prices increase.

Fertilizers account for more than 40 percent of the total energy input per acre of corn harvested. Growers rely on affordable natural gas as an energy source not just for fertilizer but also for irrigation, drying grain and ethanol production. Whether used directly as a feedstock or for heat or power generation, reasonably priced natural gas is essential to grower profitability.

In the Midwest at the beginning of 2000, anhydrous ammonia was selling for \$160 to \$170 per ton. By the end of that year, the price had climbed to \$210 per ton. Today, prices are close to \$350 per ton. Unfortunately, these high and volatile prices are expected to continue into the foreseeable future. Tight supplies and increasing demand will continue to pressure producers' margins and profitability.

Government policy is creating a supply squeeze for natural gas. On one hand, electric utilities and other industries are moving away from using our plentiful supplies of coal and towards use of natural gas. In addition, as that happens our access to natural gas is limited due to environmental policy. Clearly, we can't have it both ways.

Our ability to be efficient and environmentally friendly corn producers will face huge obstacles if our nation cannot come to grips with its desire to have limitless resources – natural gas, potash and many other inputs for production – and not realize that these resources have to come from somewhere. I am sure the members of the subcommittee as individuals know this well. However, Congress seems unaware of this fact. We can produce corn, but we need you to produce the kind of policy that enables us to use the needed resources to do so.

Conclusion

I encourage this subcommittee to continue to address energy and natural resource issues. Your decisions impact my farming operation. Simply, farmers need access to reliable sources of energy and raw materials so they can use the fertilizers necessary to produce an abundant, affordable and healthy food supply.