



Agriculture Energy Alliance

Representing agriculture as a producer and consumer of energy

May 10, 2006

The Honorable Pete Domenici
Chairman, Energy and Natural Resources Committee
United States Senate
328 Hart Senate Office Building
Washington, DC 20510

The Honorable Jeff Bingaman
Ranking Member, Energy and Natural Resources Committee
United States Senate
703 Hart Senate Office Building
Washington, DC 20510

Re: S. 2253

Dear Senators Domenici and Bingaman:

The 104 members of the Agriculture Energy Alliance (AEA) are writing to express our continued strong support for S. 2253, a bill to require the Secretary of the Interior to offer the 181 Area in the Gulf of Mexico for oil and gas leasing. This legislation addresses our continued concern with high natural gas prices and the negative effects these prices have on agriculture. Quick passage of S. 2253 is of crucial importance to agriculture since it will result in increased natural gas supply in the United States. AEA has consistently encouraged Congress to pass legislation that would allow expanded natural gas production in the Outer Continental Shelf.

The AEA represents a broad-based coalition of farm organizations and agribusiness that faces a crisis because of public policies that have created demand for natural gas while at the same time they have restricted access to supply sources. The farm sector depends on significant amounts of natural gas for food processing, irrigation, crop drying, heating farm buildings and homes, and production of crop protection chemicals and nitrogen fertilizers.

Congress must enact energy policies that will enable us to produce an abundant, affordable, and healthful food supply. American agriculture has become much more efficient in its use of energy resources. Since 1980, U.S. farmers have increased nitrogen fertilizer efficiency by 35 percent while boosting corn yields by 40 percent. We are doing whatever we can to conserve energy in our operations, but we need additional natural gas supply to be competitive in the global marketplace.

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Development of offshore natural gas reserves is crucial for both homeowners as well as for manufacturers that use natural gas as a feedstock, like nitrogen fertilizer producers. At today's natural gas price levels of approximately \$7 per mm British thermal unit (BTU) the U.S. can expect continued demand destruction in the manufacturing sector along with additional loss of good jobs. The impact of high ammonia fertilizer prices also clearly demonstrates the effect of our nation's energy crisis on American agriculture. Anhydrous ammonia is the building block for virtually all nitrogen fertilizers used in this country. Today, the natural gas component of anhydrous ammonia production is approximately **92% of the total cash production cost**. As a result of the natural gas crisis, ammonia production cost and farm level fertilizer prices have more than doubled since 2002. American farmers suffer everyday that the natural gas supply/demand situation remains unbalanced through lack of substantive policy changes.

Exploration in the OCS will improve energy independence and help maintain a competitive American manufacturing base. Legislation opening up the OCS for production and development of natural gas supplies is an important step in expediting our country's move toward energy independence.

The Agriculture Energy Alliance urges you to continue to promote the development of American energy resources so important to maintaining a competitive agricultural sector. We thank you for your support of our efforts to encourage passage of legislation that will provide an enhanced role for development of our offshore energy resources leading to a more diverse portfolio and additional supplies of natural gas.

Sincerely,

**Agribusiness Association of Iowa
Agribusiness Council of Indiana
Agricultural Council of California
Agricultural Retailers Assn.
Agriliance, LLC
Agrium Inc.
Alabama Crop Management Assn.
American Farm Bureau Federation
American Plant Food Corporation
American Soybean Assn.
Arkansas Plant Food Assn.
Ben-Trei Ltd.
Brandt Consolidated
CF Industries
CHS Inc.
California League of Food Processors
Chemical Industry Council of Illinois
CoBank (CO)
Colorado Farm Bureau
Colorado Grain & Feed Assn.
Crop Production Services**

**CropLife America
D.B. Western, Inc.—Texas
Delaware Maryland Agribusiness Assn.
Diamond of California
Far West Agribusiness Assn. (WA)
Florida Fertilizer & Agrichemical Assn.
Georgia Agribusiness Council, Inc.
Georgia Feed & Grain Assn., Inc.
GROWMARK, Inc.
Hartung Brothers, Inc.
Hawaiian Alliance for Responsible
Technology & Science
Helena Chemical Company
Illinois Fertilizer & Chemical Assn.
Indiana Grain & Feed Association
Indiana Plant Food & Ag Chemicals Assn.
Intermountain Farmers Assn.
International Chemical Corporation
International Commodities Export Corp.
International Raw Materials Ltd.
Iowa Institute for Cooperatives**

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JR Simplot Company
Jim Hicks & Company
Johnston Seed Company
Kansas Agribusiness Retailers Assn.
Kansas Grain and Feed Assn.
Land O' Lakes, Inc.
Louisiana Ammonia Producers
MFA Incorporated
Mayo Fertilizer Inc.
Michigan Agri-Business Assn.
Minnesota Agri-Growth Council
Minnesota Crop Production Retailers
Missouri Ag Industries Council, Inc.
Monsanto Company
Montana Agricultural Business Assn.
National Association of Wheat Growers
National Barley Growers Assn.
National Chicken Council
National Corn Growers Assn.
National Council of Farmer Cooperatives
National Grange
National Renderers Association, Inc.
National Sorghum Producers
National Sunflower Assn.
National Turkey Federation
Nebraska Agri-Business Assn.
North Dakota Agricultural Assn.
Northern Ag Suppliers, Inc.
Oklahoma Ag Retailers
Oregon Wheat Growers League
Pennsylvania Assn. of Milk Dealers
Plant Food Association of North
Carolina, Inc.
PotashCorp
Rocky Mountain Agri-Business
Assn. (CO)
Society of American Florists

South Carolina Fertilizer and
Agrichemical Assn.
South Dakota Agri-Business Assn.
Southern Crop Production Assn. (GA)
Southern States Cooperative, Inc.
Tennessee Agricultural Production Assn.
Tennessee Farmers Cooperative
Terra Industries
Texas Ag Industries Assn.
Texas Agricultural Cooperative Council
Texas Grain & Feed Assn.
The Andersons, Inc.
The Fertilizer Institute
The McGregor Company
The Mosaic Company
3-D Fertilizer
U.S. Canola Assn.
USA Rice Federation
United Suppliers, Inc.
Virginia Crop Production Assn.
Virginia Poultry Federation, Inc.
W.B. Johnston Grain Company
Washington State Council of Farmer
Cooperatives
West Central Inc.
Western Peanut Growers Association (TX)
Western Plant Health Association (CA)
Wheeler Bros. Grain and Fertilizer Co.
Willard Agri-Service of Frederick, Inc. (MD)
Wisconsin Fertilizer and Chemical Assn.