



Agriculture Energy Alliance

Representing agriculture as a producer and consumer of energy

September 9, 2005

The Honorable Dennis Hastert
Speaker
United States House of Representatives
Cannon 235
Washington, DC 20515

Re: Hurricane Katrina – Energy Issues

Dear Speaker Hastert:

Hurricane Katrina has affected many members of the Agricultural Energy Alliance directly and our concerns are with our employees, our family members and all who have experienced hardship during this most difficult time. Our number one priority is to make sure that we help those in need to assure full recovery and rebuilding.

The impact that this disaster has had on the energy infrastructure on the Gulf Coast has been sobering. It has made us more resolved than ever to continue to educate members of Congress on the need both for fuel diversity and for geographic diversity of our nation's energy supply. From an energy standpoint, the major lesson learned from this tragedy is that the United States was operating on the edge with respect to the supply of oil and natural gas. A single incident has led to major disruption of supply. A related lesson is that the U.S. is too dependent on an energy infrastructure that is concentrated in a small geographic area. We also do not have the fuel diversity required to insure that industries have the energy they need to produce strategic products, including food.

Since 2000, when natural gas price levels and volatility began to increase, agriculture has spoken out in every forum available, warning of a looming crisis because of public policies that create demand for certain energy resources, like natural gas, while restricting access to supply sources. We have pointed out that the only way to solve this problem is to increase supply and reduce demand. The agricultural community can produce an abundant, affordable and healthy food supply, but we need Congress and the Administration to implement policies that will enable us to utilize the resources needed to produce that supply.

U.S. agriculture depends on natural gas for some very basic items in the food chain. We use natural gas for irrigation, crop drying, food processing and crop protection and nitrogen fertilizer production. By far, the most intensive use of natural gas by the farm sector is in the production of nitrogen fertilizer, which is used on virtually every crop produced in this country. The food we grow, consume and sell to the world depends on a ready supply of fertilizers

like ammonia, urea and diammonium phosphate. It should be noted that the agricultural community has become more efficient in its use of energy resources. For example, since 1980, U.S. farmers have increased nitrogen use efficiency by 35 percent and improved crop yields by 40 percent.

According to the Minerals Management Service, there is an estimated 406 trillion cubic feet of natural gas in the Outer Continental Shelf. This potential supply is clearly needed, yet it is off limits due to federal policies that leave 85% of all federally controlled offshore areas subject to a federal moratorium on development. The agricultural community believes that it is strategically critical for Congress to remove these production barriers now to provide new sources of natural gas and oil supplies. A high priority should be placed on opening up Lease Area 181 in the Gulf of Mexico to exploration. Lease Area 181 is known to have an abundant supply of energy resources with access to existing pipeline infrastructure that will facilitate speedy delivery of much needed natural gas to the marketplace. This area alone could insure that agriculture has access to natural gas to continue manufacturing fertilizer, grow our crops and feed our citizens. It is that simple. Action is needed now.

The recently passed energy bill, H.R. 6, took a step in the right direction by calling for an inventory of the outer continental shelf areas. Hurricane Katrina's impact on energy prices makes it clear that more needs to be done. The moratoria that was put into affect 24 years ago in these offshore areas was done when energy supplies were plentiful. Times have changed and these policies must be reexamined and changed to reflect this new reality of short supply and greater demand. Drilling technologies are much more sophisticated today and it has been proven that this energy can be produced in an environmentally responsible manner.

Recently natural gas has been called the "forgotten fuel," meaning so much attention is being placed on high gasoline prices. While gasoline prices surely hurt consumers, the high and volatile natural gas prices affect agriculture's ability to produce an abundant food supply. This trend cannot continue. With Congressional leadership and action this trend can be reversed.

The Agricultural Energy Alliance respectfully requests that Congress focus on the lessons learned from Katrina immediately. As we assist displaced Americans and repair the Gulf Coast infrastructure, we need to understand the vulnerabilities that exist in our energy supply and make the necessary changes now to correct the situation. We thank you for your support of this very critical issue.

**Agribusiness Association of Iowa
Agribusiness Council of Indiana
Agricultural Council of California
Agricultural Retailers Assn.
Agrium, Inc.
Alabama Crop Management Assn.
American Farm Bureau Federation
American Soybean Assn.
Arkansas Plant Food Assn.
CF Industries, Inc.
CHS Inc.
California League of Food Processors**

**Chemistry Industry Council of Illinois
CoBank (CO)
Colorado Grain & Feed Assn.
CropLife America
Delaware Maryland Agribusiness Assn.
Diamond of California
Far West Agribusiness Assn. (WA)
Georgia Agribusiness Council, Inc.
Georgia Feed & Grain Assn., Inc.
GROWMARK, Inc.
Hawaiian Alliance for Responsible
Technology & Science**

Illinois Fertilizer & Chemical Assn.
Indiana Grain & Feed Association
Indiana Plant Food & Ag Chemicals Assn.
Intermountain Farmers Assn.
Iowa Institute for Cooperatives
Kansas Agribusiness Retailers Assn.
Kansas Grain and Feed Assn.
Land O' Lakes, Inc.
Louisiana Ammonia Producers MFA Incorporated
Michigan Agri-Business Assn.
Minnesota Agri-Growth Council
Minnesota Crop Production Retailers
Missouri Ag Industries Council, Inc.
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 Grain Sorghum Producers Assn.
National Grange
National Renderers Association, Inc.
National Sunflower Assn.
National Turkey Federation
Nebraska Agri-Business Assn.

North Dakota Agricultural Assn.
Oklahoma Ag Retailers
Oregon Wheat Growers League
Plant Food Association of North Carolina, Inc.
PotashCorp
Rocky Mountain Agri-Business Assn.
Society of American Florists
South Carolina Fertilizer and Agrichemical Assn.
South Dakota Agri-Business Assn.
Southern Crop Production Assn. (GA)
Tennessee Agricultural Production Assn.
Terra Industries
Texas Ag Industries Assn.
Texas Agricultural Cooperative Council
The Fertilizer Institute
The McGregor Company
The Mosaic Company
U.S. Canola Assn.
USA Rice Federation
Virginia Crop Production Assn.
Virginia Poultry Federation, Inc.
Western Plant Health Association (CA)
Willard Agri-Service of Frederick, Inc. (MD)
Wisconsin Fertilizer and Chemical Assn.