

Producing Energy And Conservation

**National Association of
Conservation Districts
2008 BOARD MEETING AND
LEGISLATIVE CONFERENCE
July 21, 2008
Washington DC
Bob Young**

Items of Discussion

General Economy - Not Good

Ag Economy - May Make More Money Than
Ever Before, May Go Broke

Energy, Energy, Energy

Household Wealth Situation - Pretty Dire

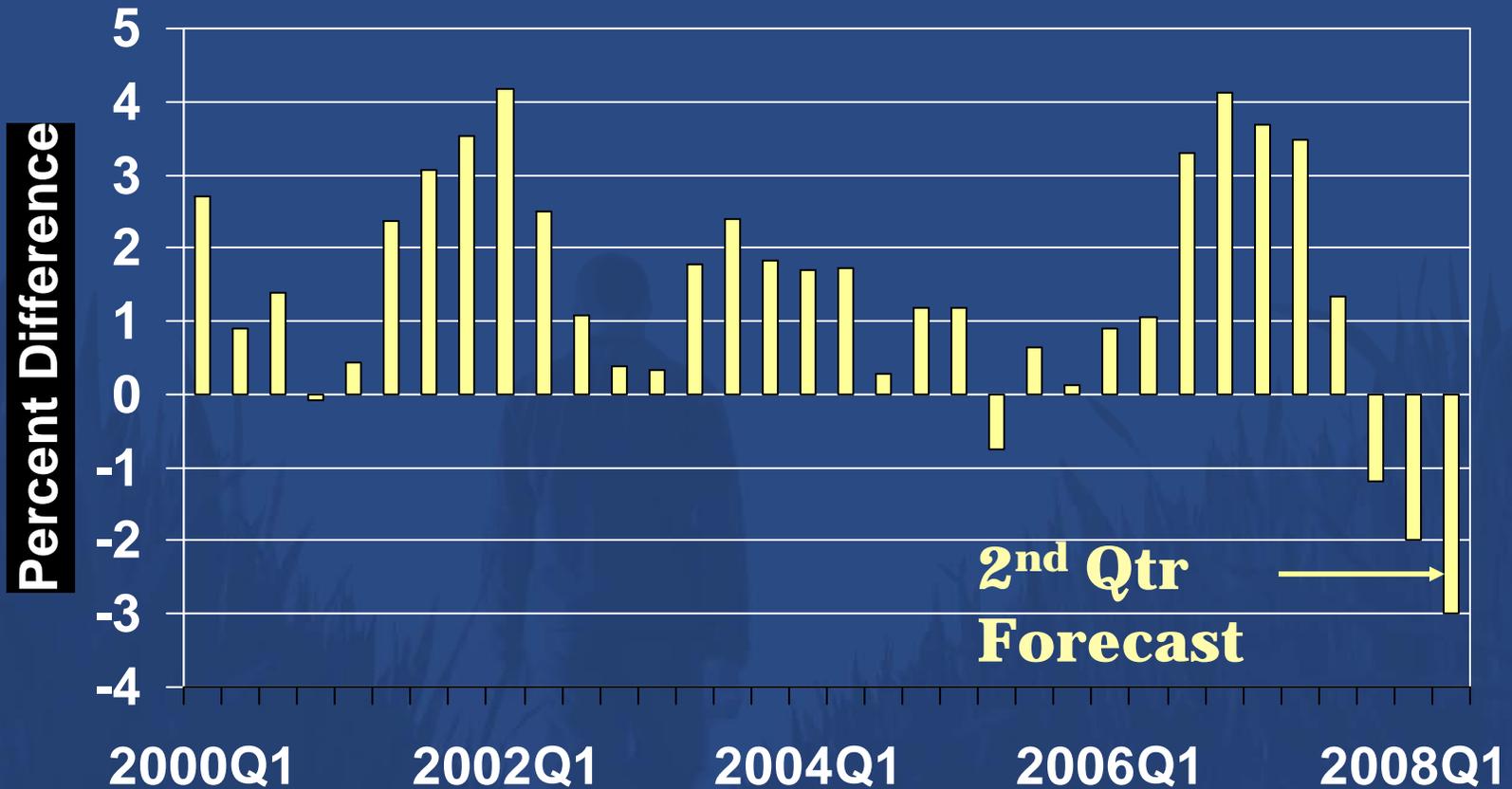
Home Equity Values Already Down By \$3
Trillion From Peak – Expect A Couple
Trillion More

Stocks And Other Financials Also Off At
Least \$2 Trillion Over Last Year

Between Jan '07 And Mid-2009 Expect
Household Wealth Off \$5-7 Trillion
(roughly a third)

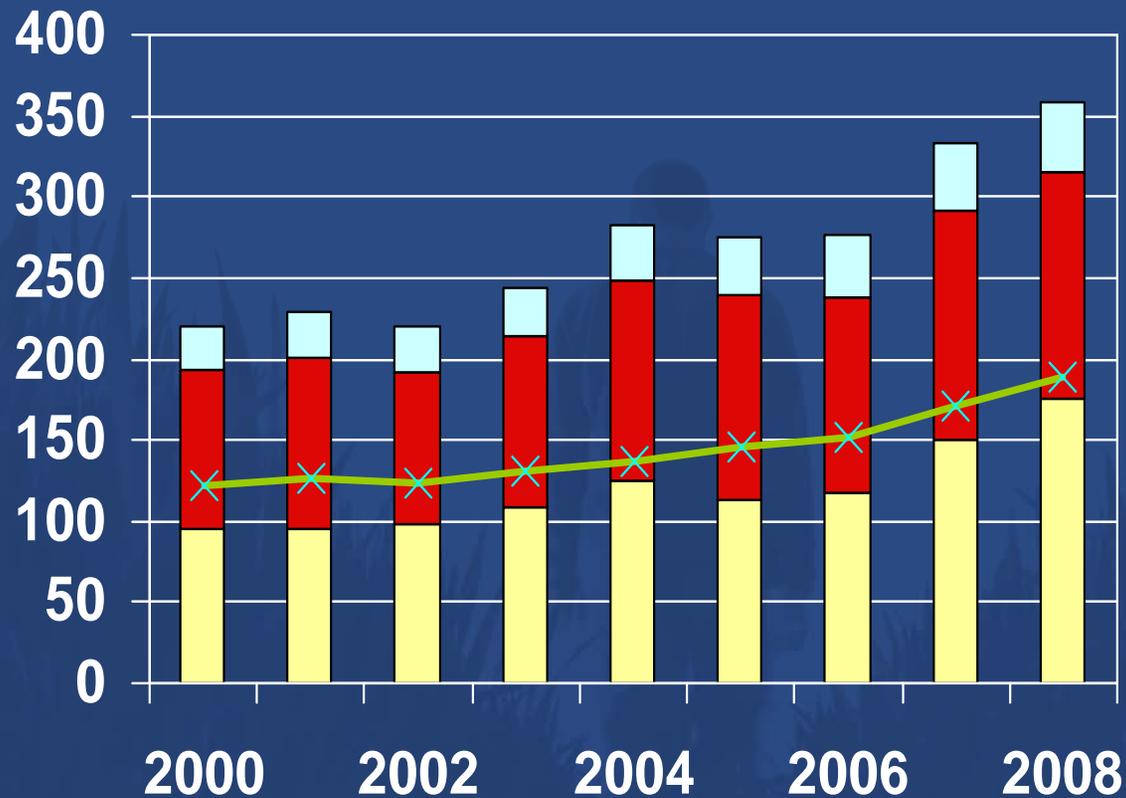
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Real Change In Wage Rates



Ag Cash Receipts And Expenses

■ Crops ■ Livestock ■ Other ✕ Inputs

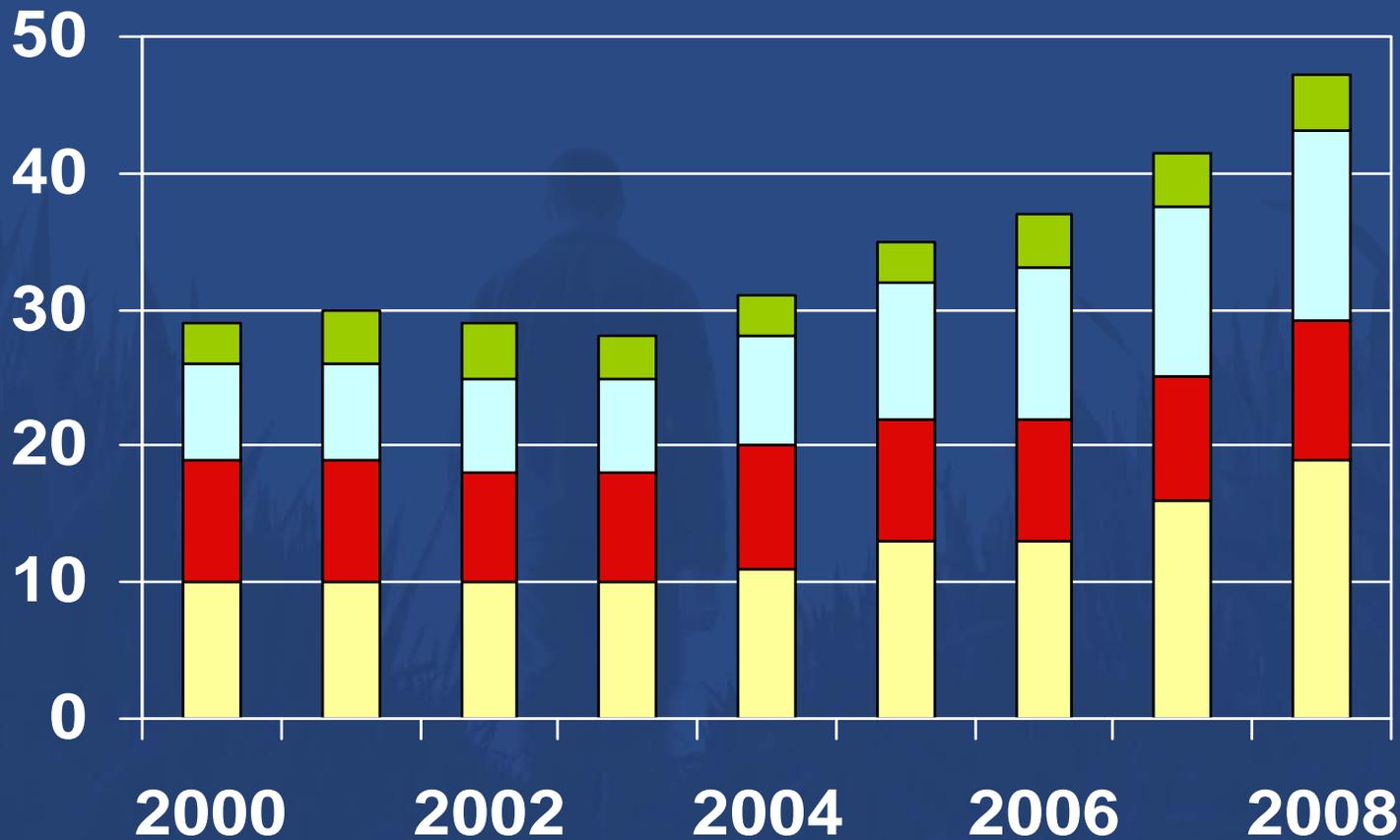


**This is an
amazing
success story**

**Nearly \$150
Billion
increase in
cash receipts
in 6 years**

Manufactured Input Costs

Fert & Lime Pest Fuel Elec

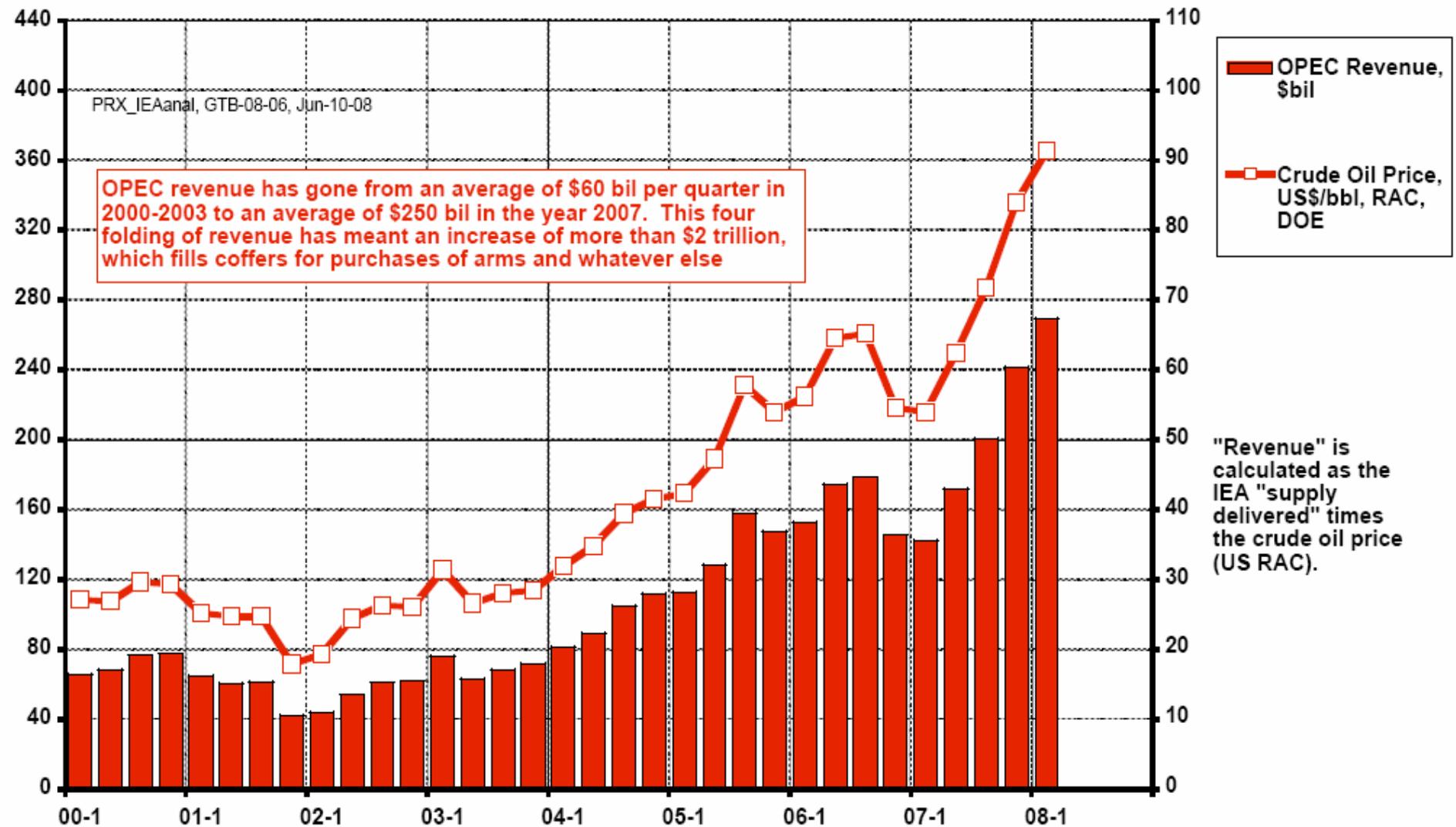


OPEC REVENUE ON CRUDE OIL SUPPLY DELIVERED, by Quarter

Revenue, \$Billion

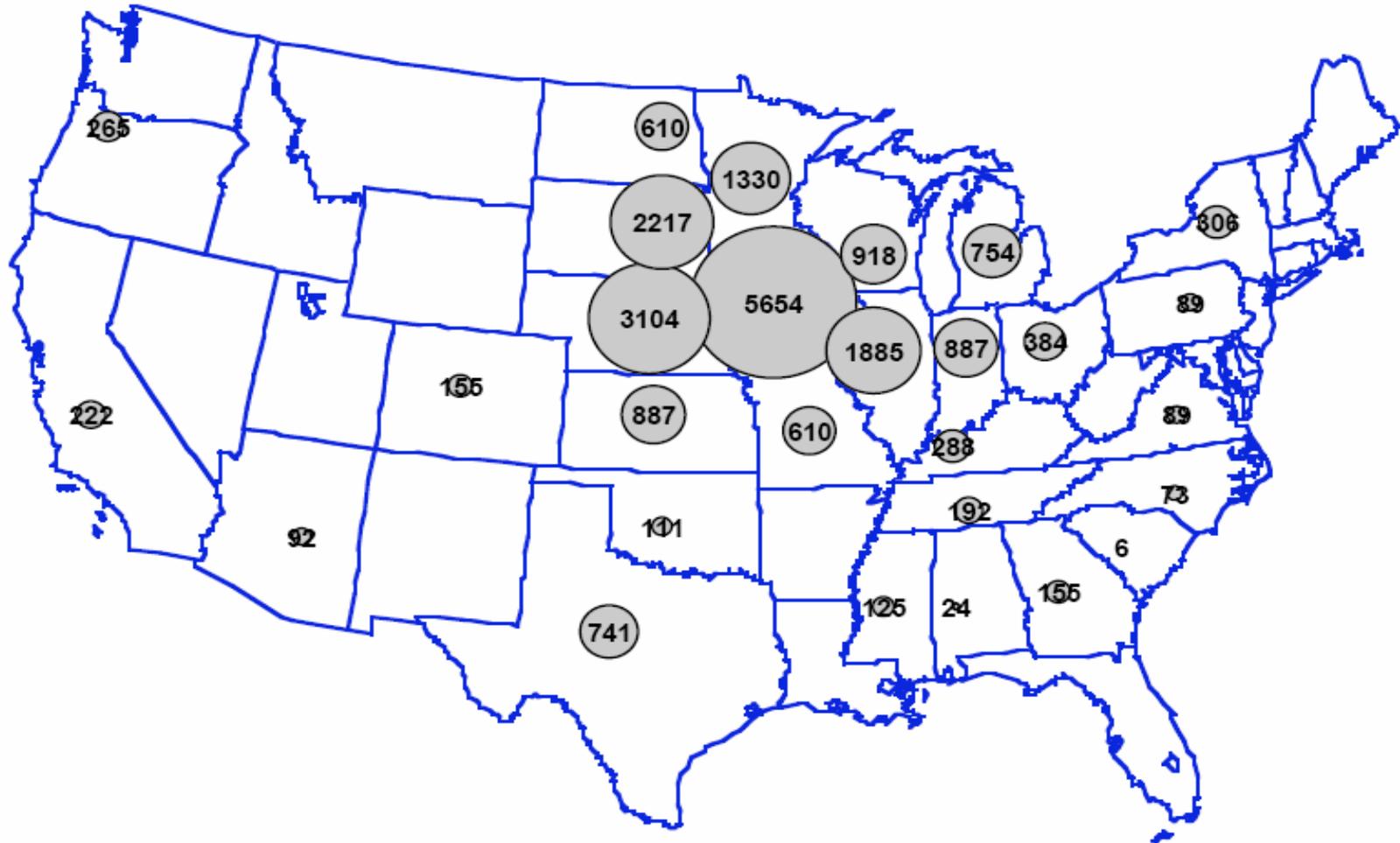
Source: International Energy Agency (IEA), latest public release.

Oil, \$ per barrel

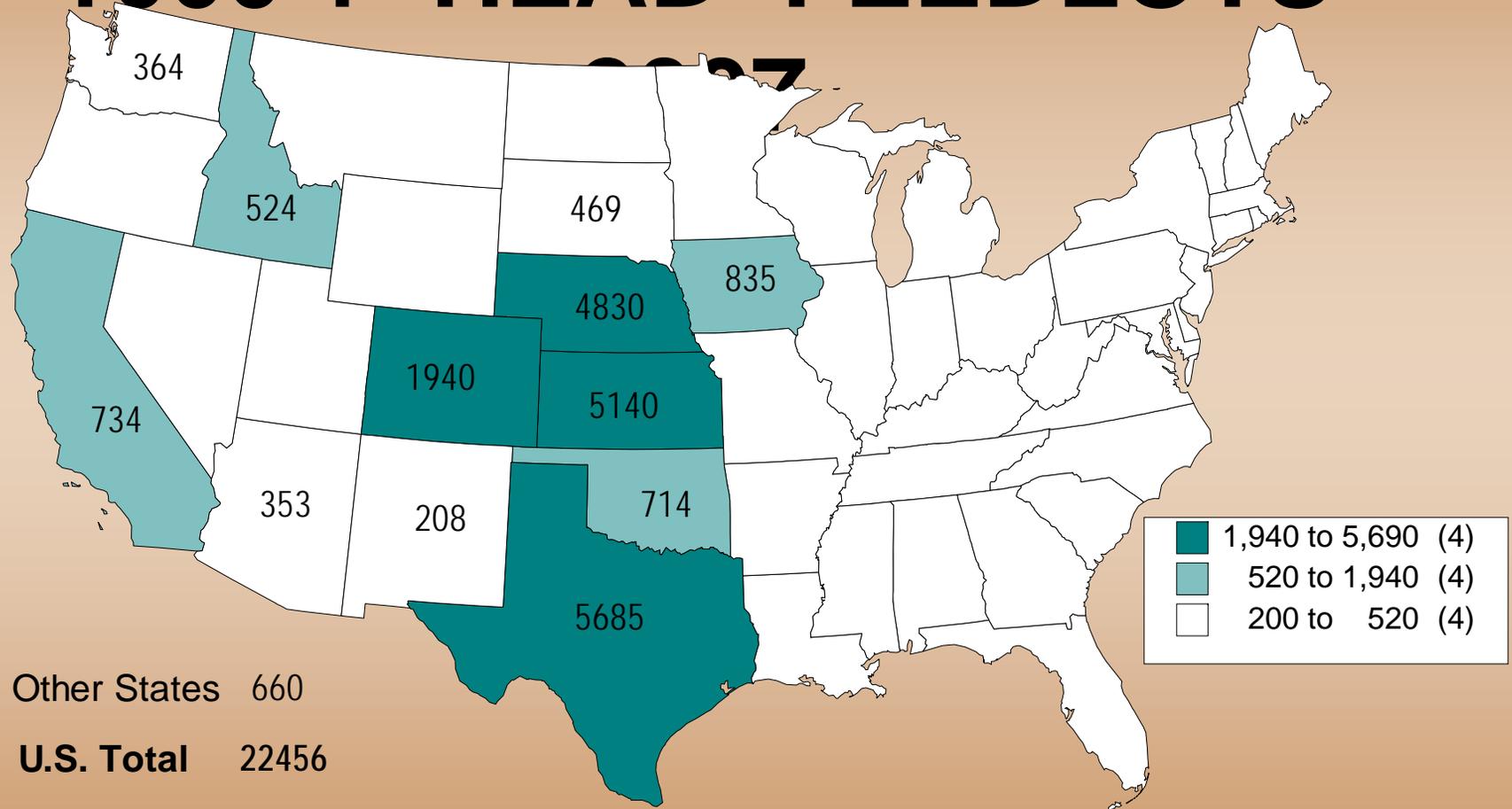


ESTIMATED DDG PRODUCTION BY STATE, 08-09, 000MT

Based on PRX Survey of Ethanol Production (Not surveyed by USDA)



FEED CATTLE MARKETINGS 1000 + HEAD FEEDLOTS



Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-05
02/22/08

Major Changes Coming

- Texas cattle facing most significant change
- Hopeful on cellulosic ethanol, but I'm from Missouri
- Impacts next year of high fertilizer prices
 - Marketing the crop
 - Making planting decisions



What Do Conservation District Contribute?

- Optimize use of inputs
 - Worried about nutrient leaving field before, now we're panicked
 - Help with those management techniques
 - Remember no-till planters
- Carbon sequestration
 - Are there opportunities there – not sure we've even set the science?
 - Again, production techniques

What's A Bushel Of Corn Worth?

A bushel of corn at 15% moisture content
contains 400,316 btu's

A barrel of oil has 5,780,000 btu's

A gallon of gasoline has 133,333 btu's

Don't Forget The Facts

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A gallon of gasoline has 133,333 btu's

Work Through The Numbers

If a barrel of oil is worth \$40, then on a btu equivalent basis:

- Gasoline ought to be \$0.92/gallon
- Corn ought to be \$2.77 per bushel

In 2004, WTI averaged \$41.50

- Average price of gallon of gas in New York Harbor was \$1.20 per gallon (Avg retail was \$1.94)
- Average farm price of bushel of corn was \$2.47

Work Through The Numbers

If a barrel of oil is worth \$100, then:

- Gasoline ought to be \$2.31 per gallon
- Corn ought to be \$6.92 per bushel

Jan-April we averaged \$104 per barrel

- Gasoline New York Harbor have averaged \$2.58 per gallon (Retail - \$3.41)
- Corn Farm Price Jan-Apr average \$4.58

At \$130 a barrel corn's worth \$8.99/bu

- Dec '08 corn closed Friday at \$6.28