

Posted on Tue, Dec. 26, 2006

# Corn farmers look to ethanol for growth, financial security

Associated Press

**FRIESLAND, Wis.** - These are good times for Jim Casey: Demand for ethanol has pushed up the price of corn so much that he no longer qualifies for government subsidies.

Instead, he receives dividend checks from United Wisconsin Grain Producers, an ethanol plant in Friesland that he and 900 other farmers invested in.

"If I had known it was going to perform like this, I would have put in a lot more than I did," Casey said.

The plant opened in 2005 and produces 40 million gallons of ethanol a year. Its operators are expanding it to double its capacity.

The number of ethanol plants nationwide has increased by a third in the past two years. There are now 109 in operation and 57 under construction, including several more in Wisconsin.

Demand is fed by federal law, which calls for the U.S. to nearly double its use of biofuels to 7.5 billion gallons by 2012. Gov. Jim Doyle has promised almost \$80 million in loans, grants and tax incentives to help develop biofuel companies in Wisconsin.

A number of farmers have jumped at the opportunities in the hope ethanol and other biofuels will secure their future earnings.

"This is the kind of thing that happens in agriculture once every one or two decades," said Keith Collins, chief economist at the U.S. Department of Agriculture.

Casey has responded by scrapping soybeans for 2007 and planting all but 200 of his 1,400-plus acres with corn. He's already sold a third of next year's crop in advance - a very rare feat, he said.

But Michael Swanson, a senior economist at Wells Fargo & Co., said Casey may be acting too fast. Ethanol requires an investment in corn and natural gas, and with a rapidly growing supply, it's a risky investment. If oil prices drop, ethanol prices could crash, he said.

"It's a wild time out here in agriculture," Swanson said. I tell farmers: "You better pre-sell your corn and take crop insurance. It's no use hoping."

And while corn farmers are doing well, others are not. Dairy farmers now pay about 50 cents more per day to feed each cow, said Greg Steele, president of the Wisconsin Dairy Association. As feed corn prices have risen, farmers have begun selling off their less productive animals, he said.

But former Gov. Tommy Thompson, who is exploring a run for president, praised the ethanol industry for helping many farmers get off government subsidies.

Corn subsidies are down from \$9 billion in 2005 to \$2 billion this year. However, ethanol subsidies cost the U.S. government more than \$2 billion in 2005 and are growing.

"There's plenty of corn in Wisconsin that will continue to support viable poultry, dairy and beef industries," Thompson said. "Anytime you're growing to be able to drive up agriculture prices for Wisconsin farmers, it's a red-letter day for Wisconsin."

---

*Information from: Milwaukee Journal Sentinel, <http://www.jsonline.com>*