



NATIONAL CATTLEMEN'S BEEF ASSOCIATION

1301 Pennsylvania Ave., NW, Suite #300 • Washington, DC 20004 • 202-347-0228 • Fax 202-638-0607

October 22, 2008

The Honorable Ed Schafer
Secretary, U.S. Department of Agriculture
200-A Jamie L. Whitten Building
Washington, DC 20250-2534

Dear Secretary Schafer,

The National Cattlemen's Beef Association's (NCBA) members support energy independence and the development of the renewable fuels industry. However, this commitment is creating both opportunities and challenges for our nations' agricultural producers. Ethanol production is particularly significant to the cattle industry because of its impact on feed grain prices. For two years producers have seen their operating costs dramatically increase due to government support of the corn-based ethanol industry and from January to June 2008, U.S. cattle feeders lost a record \$1.5 billion in equity as a direct result. These costs are now contributing to lower calf and feeder cattle prices.

Earlier this week in Des Moines, Iowa it was reported that USDA has plans to extend rural development loans to ethanol plants that purchased corn at the higher prices at the beginning of the year. News reports also stated that USDA felt the ethanol industry was too important to undergo more financial difficulties, and the government needed to give the ethanol industry even more financial support. With the federal government's support of corn-based ethanol through the Renewable Fuel Standard mandate, the blender's tax credit and the tariff on imported ethanol our members disagree with USDA's plans and do not want more of their tax dollars spent to help instances of poor risk management within the ethanol industry.

Business decisions of individual enterprises to take on unreasonable risks or expand beyond their means should not be rewarded. Under the Renewable Fuel Standard the mandate for production is nine billion gallons for 2008 and 10.5 billion gallons for 2009. The ethanol industry will produce 13.7 billion gallons for 2008 – which is 4.7 billion gallons more than the mandate. The U.S. economy's recent financial instability is not isolated to only the ethanol industry, and we categorically disagree with the notion that they are somehow more important than the rest of agriculture. It is not the responsibility of the tax payers to shield investors from the consequences of overbuilding an industry or poor risk management practices.

AMERICA'S CATTLE INDUSTRY

Denver

Washington D.C.

Chicago

NCBA continues to support a market-based approach for the production and usage of ethanol. Our members and producers know that the marketplace offers many adequate risk management tools to utilize when building an industry. Government interventions via mandates and subsidies are never substitutes for good business practices.

We encourage USDA to reconsider lending taxpayer funds to private facilities that are undergoing financial difficulties due to poor business practices. NCBA members also encourage the government to allow the market to govern business rather than hard-earned taxpayer funds.

Sincerely,

National Cattlemen's Beef Association
Alabama Cattlemen's Association
American National Cattle Womens' Association
Arizona Cattle Feeders Association
Arizona Cattle Growers Association
California Cattlemen's Association
Colorado Cattlemen's Association
Florida Cattlemen's Association
Georgia Cattlemen's Association
Indiana Beef Cattle Association
Michigan Cattlemen's Association
Mississippi Cattlemen's Association
Montana Stockgrowers Association
Nebraska Cattlemen
Nevada Cattlemen's Association
New Mexico Cattle Grower's Association
North Dakota Stockmens' Association
Ohio Cattlemen's Association
Oklahoma Cattlemen's Association
Oregon Cattlemen's Association
Pennsylvania Cattlemen's Association
Tennessee Cattlemen's Association
Texas and Southwestern Cattle Raisers Association
Texas Cattle Feeders Association
Utah Cattlemen's Association
Virginia Cattlemen's Association
Washington Cattlemen's Association
West Virginia Cattlemen's Association

AMERICA'S CATTLE INDUSTRY

Denver

Washington D.C.

Chicago