

For the record; my name is Dave Kelsey and I farm and ranch at Molt, MT which is just northwest of Billings.

I served on the Agricultural, Forestry and Waste Management working group. I want to thank Director Opper and I also want to thank the members of our group from the Department of Environmental Quality and from the University system for their help and assistance in discussing this very serious issue. I would like to offer a few facts and concerns I have with some items that were formulated in our area.

The production of ethanol and biodiesel were both highly touted topics in our working group however I do have some major concerns about achieving the goals that were suggested. I also have concerns about the net beneficial effect the production of the fuels would have when you consider the distance these biofuels crops would have to be transported to a plant with a scale large enough to be economically feasible.

The production goals for both biodiesel and ethanol are very admirable but I question whether or not we can achieve them in the time frame specified. For example in order to reach the goals set for biodiesel in 2020 Montana would need 1.2 million acres devoted to vegetable oil production.(current vegetable oil production is minimal) That would mean that we would have to take land that is currently used for other purposes or is currently in the Conservation Reserve program to do this. I question the reality of achieving these goals in this time frame unless huge incentives and much improved varieties come about with much higher yields than we are use to in Montana's limited rainfall climate.

With regard to ethanol production; in order to have an economically feasible operation you have to have the economy of scale large enough to compete with other alternatives. Given Montana's limited yield potential due to moisture conditions huge acreages would be required to have enough production to supply the ethanol plant. This would require much transportation using fossil fuels and I question the overall net benefit.

I would like to share some information that just came out regarding biofuel production. A report by Credit Swiss a Swiss bank states that agricultural production worldwide needs to increase by 2.5% per year in order to keep up with world domestic food needs. When you couple that with increased global demands for biofuels production needs to increase 3.3%/year.

The bad news is that grain and oilseed production growth has already been lagging consumption over the past 20 years even before the recent boom in biofuels demand.

It is estimated that the combined impact of government-set biofuel targets globally commits 238 million acres or 12% of total arable and permanent cropland to biofuel feedstock production over the next 10-15 years.

US biofuels targets implies that 19-32% of total domestic arable acreage would need to be committed to biofuel production by 2017 which is up from 5.7% acreage now.

Acreage expansion potential is questionable given rising environmental concerns and urbanization. The onus is therefore, on productivity growth. The pace of productivity growth has declined despite advances in Genetically Modified Organism seeds.

US corn stocks now stand at 13.5% of annual consumption which is the lowest level in 35 years and well below the average of 24.4% over the last 20 years. This is despite record crop production.

This implies that agricultural prices will continue to rise and food inflation is likely to remain elevated for at least the next 3-5 years until and if supply growth can catch up with demand. What are the costs of transferring acres used for food production and turning them into fuel production?

I use no till and minimum tillage farming methods on my farm but in our working group we had discussions as to whether or not acreage already using these programs would qualify for reduction in green house gases. It seems ridiculous to me to ignore the beneficial management practices that many farmers and ranchers are already doing. If the practice stores carbon give credit where credit is due. What incentives are we going to offer to get added acreage and who is going to pay for it? As far as getting paid for carbon credits; something needs to change in this program because the last time I checked, my farm ground in Stillwater County is not eligible but farmland 4 miles to the east in Yellowstone County does. It seems to me, if you are no till farming in any county in Montana you should qualify for the program regardless of what county you are in.

In closing; I have not seen an Economic Impact Statement regarding the implementation of not only the items in the Agricultural, Forestry and Waste Management working group but all of the other areas as well. There will be a very substantial economic cost to implementing these programs. Before you vote on legislation to proceed with any of these programs I hope you know what these costs will be and that you share those costs with the public before your vote is taken. The degree to which costs will rise will determine how much the consuming public will support this program. I am especially concerned for those on fixed incomes but I am also concerned as a farmer-rancher as our costs of production are skyrocketing out of control right now. Thank you for your time and consideration.

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