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CORNHUSKER ECONOMICS

UNIVERSITY OF
Nebraska
Lincoln

January 23, 2013

University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
<http://agecon.unl.edu/cornhuskereconomics>

Update on BCAP - The Biofuel Crop Assistance Program

Market Report	Yr Ago	4 Wks Ag	1/18/13
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$125.29	\$ *	\$122.54
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	181.21	*	169.73
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	152.73	*	145.50
Choice Boxed Beef, 600-750 lb. Carcass.	182.54	193.50	192.68
Western Corn Belt Base Hog Price Carcass, Negotiated.	84.00	*	86.26
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	85.15	82.80	83.79
Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct.	148.38	96.63	108.50
National Carcass Lamb Cutout, FOB.	386.99	300.82	294.80
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	6.13	7.71	7.84
Corn, No. 2, Yellow Nebraska City, bu.	*	7.05	7.38
Soybeans, No. 1, Yellow Nebraska City, bu.	*	14.26	14.34
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	10.64	11.82	12.29
Oats, No. 2, Heavy Minneapolis, MN , bu.	3.17	*	3.90
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	155.00	*	247.50
Alfalfa, Large Rounds, Good Platte Valley, ton.	137.50	*	230.00
Grass Hay, Large Rounds, Good Nebraska, ton.	100.00	*	212.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.	202.50	271.56	272.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	70.63	102.50	104.00
*No Market			

The Biofuel Crop Assistance Program (BCAP), which was authorized in the 2008 Farm Bill, is a federal program administered by the United States Department of Agriculture's (USDA) Farm Service Agency (FSA), intended to help overcome obstacles to the establishment of biofuel industries.

A single biomass processing facility may depend on the production of a strange new crop by hundreds of farmers over many years. Financing to build the facility will likely depend on advance assurance of these supplies. BCAP's support is intended to help overcome the related organizational difficulties.

Under BCAP, farmers in Project Areas receive payments for growing biofuel crops. The payments may consist of up to 75 percent of establishment costs, annual rental payments for up to five years, and/or matching of sales receipts. Proposals for Project Areas are submitted to FSA by processors or farmer groups.

The first Project Area (Show Me Energy Cooperative in Missouri) was approved in 2011, with ten more approved through 2012. They represent a wide variety of crops and biofuels scattered across the United States, as shown on the accompanying map (on next page).

The Show Me project was established by an existing cooperative to process native grasses into pellets, primarily for augmenting fuel supplies for electricity producers, but perhaps for other approved uses in the future. This form of biofuel of course, avoids the technological challenge of converting the cellulose to liquid fuel. The project provides for all three assistance components: annual rental payments, shared establishment costs and matching payments.

Project Areas 2 through 5 were all developed by Aloterra Energy in collaboration with another established farmers cooperative, MFA Oil. Production



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areas are located in Arkansas, Missouri and Ohio-Pennsylvania; with the only approved crop being miscanthus, a fast-growing giant grass that must be established by planting rhizomes, rather than seeds. Fuel pellets are the initial market for this project, as well.

Project Areas 6 and 8 in the Pacific Northwest, are also related to one another. Project 8 is by AltAir Fuels, who have contracted with a number of airlines to provide jet fuel produced from camelina. Camelina is an oilseed that seems to grow well on marginal lands. The only form of assistance provided to producers is a five-year rental contract. Project 6, covering a smaller area, will also produce camelina, to be sold to AltAir.

Project Area 7 in Kansas and Oklahoma, put together by Abengoa Biofuels, is most relevant to Nebraska conditions. Eligible crops are native grasses such as switchgrass, with establishment cost sharing and five-year contracts for annual rental payments, but no matching payments. Abengoa is constructing a 25 million-gallon-per-year cellulosic ethanol plant, the first BCAP project to involve an actual biorefinery.

Chemtex, an Italian firm, will also construct a cellulosic ethanol plant, a 20 million-gallon-per-year unit for Project Area 11 in North Carolina. Here the eligible crops are both miscanthus and switchgrass, with assistance provided for establishment cost-sharing and annual rents, but matching payments "only if funding is available."

Projects 9 and 10 provide for the production of poplar trees and shrub willow.

These projects themselves will encompass about 120,000 acres of crops - which might be expected to produce the equivalent of 60-70 million gallons of fuel per year. This contrasts with a Renewable Fuels Standard (RFS2) requirement that fuel processors blend *one billion* gallons of cellulosic fuel into the nation's fuel supply in 2013. Clearly, BCAP at the current scale is little more than a demonstration project. (It is notable that independent of BCAP, two Iowa cellulosic ethanol plants are expected to be in production in 2013, processing corn residue.)

During the recent fiscal cliff negotiations, BCAP was extended through the current crop year, along with most of the rest of the provisions of the 2008 bill, but the mandatory funding that had been in effect for 2012 was dropped. With the President's push for alternative fuels on the one hand, and the pressure to reduce the federal budget on the other, it is far from clear whether BCAP will be extended to fund additional projects.

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