



Agriculture Energy Alliance

Representing agriculture as a producer and consumer of energy

April 10, 2006

Ms. Renee Orr
5-Year Program Manager
Minerals Management Service (MS-4010)
Room 3120
381 Elden Street
Herndon, VA 20170

Re: Comments on Draft Proposed 5-Year Program for 2007-2012 and Scoping Comments on the EIS for the 5-Year Program for 2007-2012

Dear Ms. Orr:

The Agriculture Energy Alliance appreciates the opportunity to comment on the draft proposed 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing program and scoping for the environmental impact statement. Expanded access to our offshore resources is vitally important to American energy independence and to the American economy. In addition, this plan is critically important to U.S. agriculture.

The Agriculture Energy Alliance represents over 100 growers and agribusinesses that face a looming crisis because of public policies that create demand for natural gas while restricting access to supply sources. The farm sector depends on significant use of natural gas for food processing, irrigation, crop drying, heating farm buildings and homes, crop protection chemicals, and nitrogen fertilizer production. Therefore, Agriculture Energy Alliance has a direct and a strong interest in the development of the next offshore leasing program.

This country's energy supply shortage is harming U.S. agriculture. This is evidenced by the fact that farmers' fuel expenses for 2005 exceeded the 2004 fuel expenses by 37%, causing farmers to pay nearly \$5 billion in added energy-related expenses. Also, the unprecedented high level and volatility of natural gas prices has had a serious impact on the U.S. fertilizer industry and the American farmer. This is due to the fact that natural gas is the primary feedstock in the production of virtually all commercial nitrogen fertilizers manufactured in the United States.

Natural gas is the raw material from which nitrogen fertilizers are made and today, in the case of ammonia, natural gas accounts for over 90 percent of the total cash cost of production. Not surprisingly over this period of high prices and intense volatility, nearly 40 percent of the industry's nitrogen fertilizer capacity permanently closed between 1999 and the run-up in natural gas prices in 2005. As the U.S. nitrogen fertilizer industry is being forced to move its production offshore to other countries, a real threat to our food security has been created.

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The sharp rise in natural gas prices and the resulting curtailment of U.S. fertilizer production also has had a dramatic impact on fertilizer prices throughout the marketing chain and, in particular, at the farm level. According to U.S. Department of Agriculture data, the U.S. average spring price to farmers for ammonia climbed from \$250 per ton in 2002, to approximately \$375 per ton in 2003 and 2004, to \$416 per ton in 2005. Similarly, urea prices from 2002 to 2005 climbed from \$191 per ton to \$332 per ton and UAN solutions prices from \$148 per ton to \$243 per ton. Although farm-level data is not yet available for 2006, the average price this spring could be even higher. American farmers suffer every day that the natural gas supply/demand situation remains unbalanced through lack of substantive policy changes.

The U.S. government can help to relieve some of this hardship with the 2007-2012 Outer Continental Shelf leasing program. The areas identified for leasing during the 2007-2012 program, including the Central and Western Gulf of Mexico areas, the areas in Alaska – particularly the North Aleutian Basin area and the area off the Virginia coast, but the agency should include other areas as well. Our state and our country urgently need additional supplies of energy, and, since we all own the energy (i.e. natural gas and oil) that is beneath the Outer Continental Shelf, all areas of the Outer Continental Shelf should be included, particularly all the areas in the Atlantic Planning Areas and all of the “original sale 181 area” in the Eastern and Central Gulf of Mexico Planning Areas.

The Outer Continental Shelf of the United States’ lower 48 states is conservatively estimated to contain 288 trillion cubic feet of natural gas and 59 billion barrels of oil. This is enough oil to produce gasoline for 132 million cars and heating oil for 54 million homes for fifteen years. It is enough oil to replace current imports from the Persian Gulf for 59 years. In addition, it is enough natural gas to heat 72 million homes for 60 years or to supply current industrial and commercial needs for 28 years or to supply current electricity generating needs for 53 years.

The United States government should not withhold this vital resource from the American people and American agriculture. All Outer Continental Shelf areas should be included in the proposed program for the 2007-2012. In particular, please include all of the Central, Western and Eastern Gulf of Mexico Planning Areas, the Beaufort Sea, Chukchi Sea, North Aleutian Basin, and Cook Inlet Planning Areas, and all of the South Atlantic, Mid-Atlantic, and North Atlantic Planning Areas.

Thank you for allowing the opportunity to comment on the draft proposed program. Please consider the views expressed in this letter as you prepare the proposed program and draft environmental impact statement.

Sincerely,

**Agribusiness Association of Iowa
Agribusiness Council of Indiana
Agricultural Council of California
Agricultural Retailers Assn.
Agrilience, LLC
Agrium Inc.**

**Alabama Crop Management Assn.
American Farm Bureau Federation
American Plant Food Corporation
American Soybean Assn.
Arkansas Plant Food Assn.
Ben-Trei Ltd.**

Brandt Consolidated
CF Industries
CHS Inc.
California League of Food Processors
Chemical Industry Council of Illinois
CoBank (CO)
Colorado Farm Bureau
Colorado Grain & Feed Assn.
Crop Production Services
CropLife America
D.B. Western, Inc.—Texas
Delaware Maryland Agribusiness Assn.
Diamond of California
Far West Agribusiness Assn. (WA)
Florida Fertilizer & Agrichemical Assn.
Georgia Agribusiness Council, Inc.
Georgia Feed & Grain Assn., Inc.
GROWMARK, Inc.
Hartung Brothers, Inc.
Hawaiian Alliance for Responsible
Technology & Science
Helena Chemical Company
Illinois Fertilizer & Chemical Assn.
Indiana Grain & Feed Assn.
Indiana Plant Food & Ag Chemicals Assn.
Intermountain Farmers Assn.
International Chemical Corporation
International Commodities Export Corp.
International Raw Materials Ltd.
Iowa Institute for Cooperatives
JR Simplot Company
Jim Hicks & Company
Johnston Seed Company
Kansas Agribusiness Retailers Assn.
Kansas Grain and Feed Assn.
Land O' Lakes, Inc.
Louisiana Ammonia Producers
MFA Incorporated
Mayo Fertilizer Inc.
Michigan Agri-Business Assn.
Minnesota Agri-Growth Council
Minnesota Crop Production Retailers
Missouri Ag Industries Council, Inc.
Monsanto Company
Montana Agricultural Business Assn.
National Association of Wheat Growers
National Barley Growers Assn.
National Chicken Council
National Corn Growers Assn.
National Council of Farmer Cooperatives
National Grange
National Renderers Association, Inc.

National Sorghum Producers
National Sunflower Assn.
National Turkey Federation
Nebraska Agri-Business Assn.
North Dakota Agricultural Assn.
Northern Ag Suppliers, Inc.
Oklahoma Ag Retailers
Oregon Wheat Growers League
Pennsylvania Assn. of Milk Dealers
Plant Food Association of North
Carolina, Inc.
PotashCorp
Rocky Mountain Agri-Business Assn. (CO)
Society of American Florists
South Carolina Fertilizer &
Agrichemical Assn.
South Dakota Agri-Business Assn.
Southern Crop Production Assn. (GA)
Southern States Cooperative, Inc.
Tennessee Agricultural Production Assn.
Tennessee Farmers Cooperative
Terra Industries
Texas Ag Industries Assn.
Texas Agricultural Cooperative Council
Texas Grain & Feed Assn.
The Andersons, Inc.
The Fertilizer Institute
The McGregor Company
The Mosaic Company
3-D Fertilizer
U.S. Canola Assn.
USA Rice Federation
United Suppliers, Inc.
Virginia Crop Production Assn.
Virginia Poultry Federation, Inc.
W.B. Johnston Grain Company
Washington State Council of Farmer
Cooperatives
West Central Inc.
Western Peanut Growers Association (TX)
Western Plant Health Association (CA)
Wheeler Bros. Grain and Fertilizer Co.
Willard Agri-Service of Frederick, Inc.
Wisconsin Fertilizer and Chemical Assn.