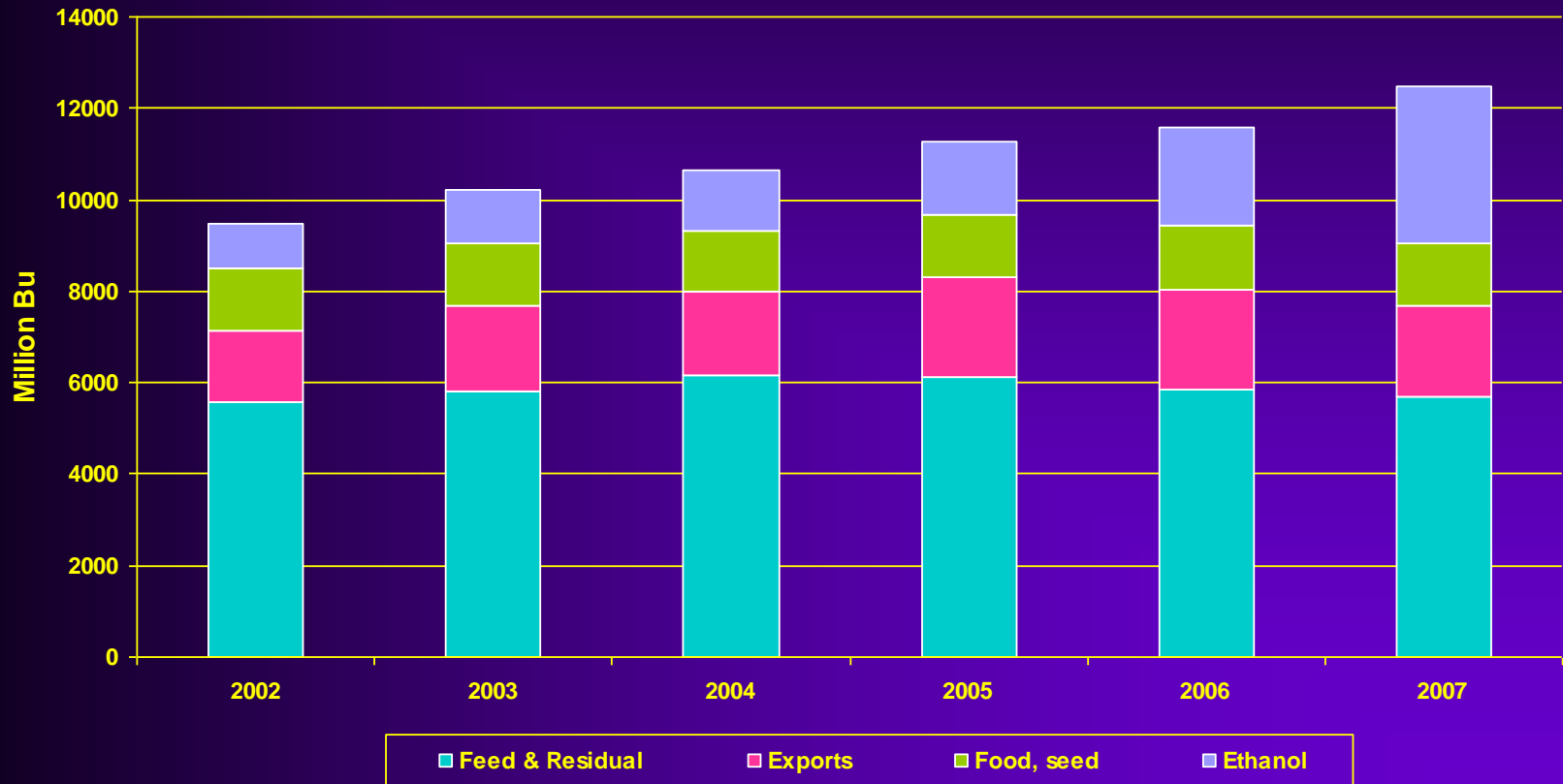


Current and Next Generation Biofuel Feedstock in Tennessee

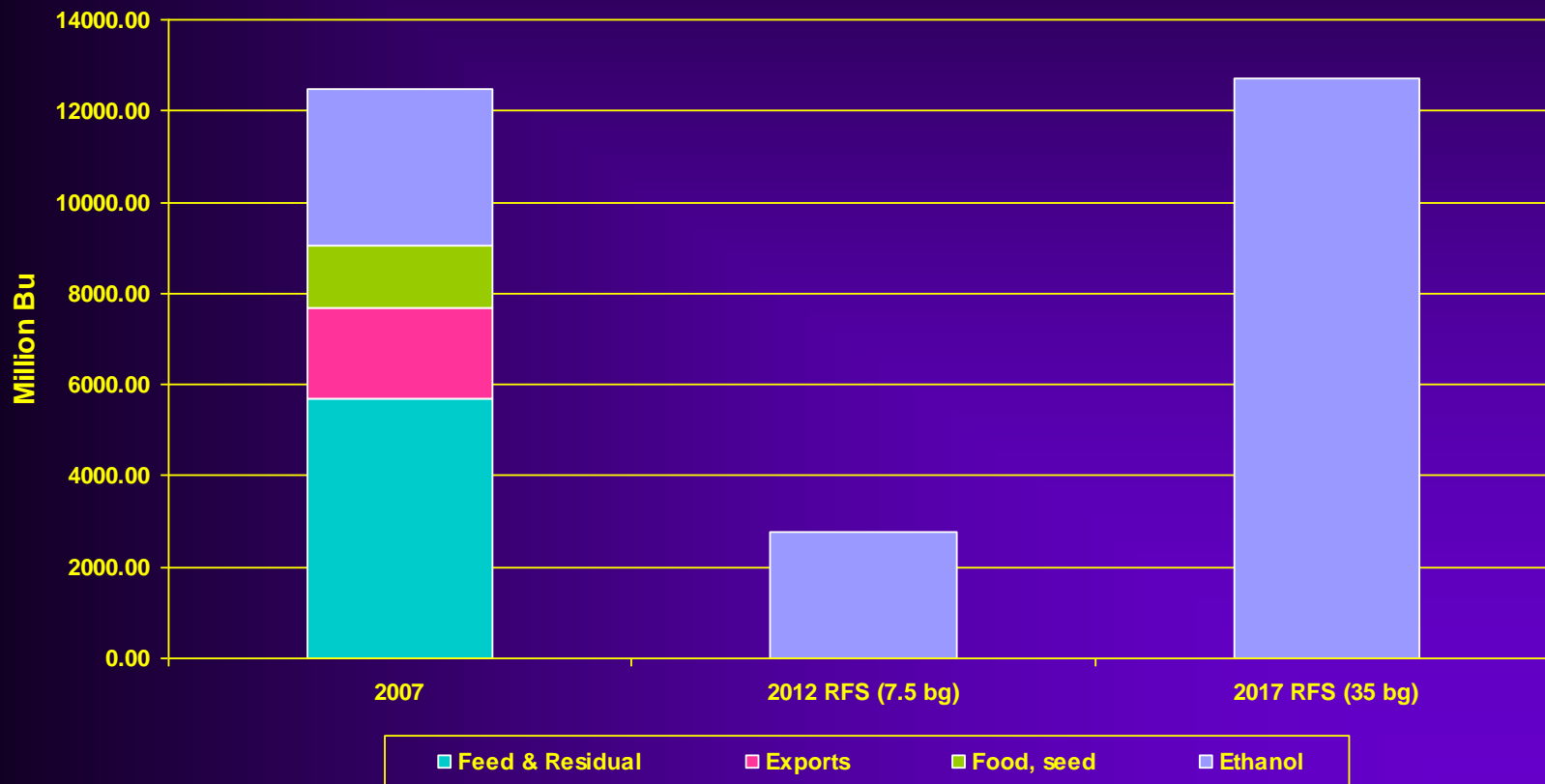
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U.S. Corn Use, 2002-2007



2007 U.S. Corn Use, 2012 RFS, and 2017 Proposed RFS



Will Corn Supply Ethanol Demand?

- Ethanol from corn processing already exceeds 2012 RFS of 7.5 billion gallons.
- A proposed 35 billion gallons of ethanol by 2017 would require 90 million acres, or the entire 2007 crop.
- To keep other corn use categories constant at 2007 levels, 10 million more corn acres needed, with an overall average yield of 235 bushels/acre.

What is Ethanol's Contribution to U.S. Energy Consumption?

- U.S. oil consumption in 2006 was 7.6 billion barrels.
- Corn ethanol production in 2007 is projected to be about 9.4 billion gallons.
- 9.4 billion gallons would replace about 300 million barrels of oil used for gasoline production, or about 4% of U.S. use.

Tennessee Acreage Impacts

- 780,000 Tennessee acres planted to corn is the largest since the 1986 crop year (910,000 acres).
- Soybean planted acres drop 90,000 (8%).
- Cotton planted acres drop 140,000 (20%).

Short Term Impacts on Tennesseans

- Corn price increases.
 - Sellers
 - Buyers
- Soybean price increases.
- Land rents increase.
- Crop input prices increase.
- Livestock feed prices increase.

Longer Term Impacts on Tennesseans

- Livestock production declines in response to higher feed cost.
 - Distillers grains
 - Cattle vs. poultry, swine
 - Changes in feeding systems
 - Feed export constraints
- Competition for pasture/hay land by either corn or cellulosic production.

Summary

- At current prices, it appears that corn ethanol processing will continue to expand.
- It appears unlikely that corn alone can satisfy the demand for ethanol in the longer term.
- Revenues should increase for corn and soybean producers, ethanol processors, land owners, and crop input suppliers.
- Livestock producers' expenses increase with higher feed prices. Distillers grains could offset some of the increase.