



Should Changes be Made to the Energy Provisions in the Farm Bill?

BACKGROUND

The Farm Bill's energy programs can be grouped into three basic areas: (1) programs with direct assistance to farmers, ranchers, and rural businesses; (2) programs that assist facilities such as biorefineries; and (3) programs to assist with research, development, education, and marketing regarding bioenergy and renewable chemicals. The programs do not have permanent authority, expiring with the sunset dates in the bill unless extended or reauthorized by Congress. Also, they do not have permanent baseline in the congressional Budget Office estimates, which means funds must be found to pay for the programs in this title.

Programs with direct assistance to farmers

The two primary programs with direct benefits to farmers are the Rural Energy for America Program (REAP) and the Biomass Crop Assistance Program (BCAP).

The REAP program provides competitive grants and loan guarantees to agricultural producers, rural small businesses, and rural electric cooperatives for a broad range of renewable energy and energy efficiency technology installations and improvements. It has had mandatory funding of \$50 million per year until 2018, with an additional \$100 million allowed in discretionary funding. There is a three-tiered application process with simpler applications for the smallest projects and increasing application complexity as a project size increases. REAP serves all ag sectors and has funded projects in all 50 states. In addition to funding renewable energy projects such as wind and solar installations, funding also covers energy efficiency projects such as grain dryers, irrigation pumps, and heating systems for agricultural buildings. The program is popular among producers, illustrated by applications outpacing available funding by roughly three to one.

The BCAP program promotes the cultivation of bioenergy crops that show promise for producing highly energy-efficient, advanced bioenergy, or biofuels, and to develop those new crops and cropping systems in a manner that preserves natural resources. It has mandatory funding of \$25 million per year from 2014 through 2018. The program assists in the establishment and production of energy crops and new cropping systems to provide feedstock to bio-refineries, as well as providing cost sharing incentives to supply feedstock material such as wood and wood residue.

Programs providing assistance to bio-refineries

There are several programs designed to provide support for bio-refineries. One is the Biobased Markets Program that helps build demand support through preferential purchasing programs. The Section 9003 program assists bio-refineries with development of new and emerging technologies and Section 9004 helps reduce use of fossil fuels at bio-refineries. These programs have received limited use due to significant application costs and significant requirements on lenders. The Bioenergy Program for Advanced Biofuels has been used more frequently by bio-refineries with 4,244 payments made since inception, amounting to over \$310 million.

ISSUE

The energy and agriculture industries have always been intertwined. The cost of energy and its related products plays a major role in agriculture production. In recent times, energy products derived from agricultural commodities have created new markets for farmers and ranchers. The adoption of new technologies by farmers, such as wind and solar energy production, is also changing the energy landscape of agricultural production.

OPTION #1

Are the current programs authorized within the Energy Title providing appropriate support for the development of new ag-based energy crops and programs and encouraging improvements in on-farm energy efficiency or do new ones need to be developed?

OPTION #2

Are there any changes that need to be made to the BCAP program to further stimulate the development of cellulosic biofuels? More specifically, should the rules of the BCAP program be modified to allow producers of biomass to move the biomass to processor storage locations without “losing control of the biomass” and terminating eligibility for BCAP support?

OPTION #3

Applications for the REAP programs exceed funding by about 300 percent. Should more funding be provided to those programs?