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County Agent's Notes:

January 15, 2001

Agriculture and energy are closely related.

The nation is enduring a series of energy surprises lately, adding to an already shaky economy. The first place we've seen the impact of this has been in our home-heating cost. For an "average" size home, gas bills that were in the range of \$80 to \$125 per month a year ago have now risen astronomically to between \$300 and \$500 per month, depending on the number of occupants, their daily habits, and how well insulated the home is.

Of course, a big factor is the weather since we are having the coldest winter in about 15 years. As a nation, we have become complacent with regard to energy usage, particularly for heating, because the past few winters have been very mild, and we were supposed to be in a global warming trend. There is no shortage of natural gas, rather there has been a slowdown in the process that brings it to market, fostered by low prices at the wellhead and environmental restrictions.

Opinions among those in the natural gas industry seem to suggest a two to threefold increase in the level of prices paid during the last decade, and this is borne out by the reality of prices being charged currently. Furthermore, there is probably little relief coming since it will take two to three years for the industry to bring supplies forward from new exploration. Looks like it's time to button up and pile on more blankets.

This story will manifest itself in every facet of our lives, including home heating, transportation, the food supply, and an infinite number of other things. A few days ago I

received a call from Mr. Mark Terkanian, general manager of Natchez Trace Greenhouses here in Kosciusko, asking me to come by for a visit. Since I am just like most of you, I had not yet come to my senses, so to speak, with regard to our energy situation, and I expected to visit about something like plants, soils, fertilizers, or some other “routine” thing. It did not take Mark very long to tell me this was not a routine visit. He showed me his records on fuel usage, and explained how energy costs may affect his business. With his permission I want to give you a few details about this which will bring home to you the potential impact of fuel prices, not only in a plant nursery like this, but also in other agricultural enterprises such as poultry, swine, dairy, and others.

Since January 1998, the price of natural gas used at the greenhouse operation fluctuated little until January 2000 when slight increases began. During the year 2000, the price essentially doubled, driving the monthly cost of fuel from previous monthly winter peaks of around \$16,000 up to \$42,500 in December 2000. Assuming that January usage is again high, and taking into consideration another price increase of almost 60% in the month of January 2001, the monthly bill will be in the range of \$65,000 to \$75,000. I’m sure that I don’t need to tell you how this may affect this and other local businesses like it.

The impact of fuel costs will be felt just as dramatically as this in other agricultural enterprises like poultry and swine, where temperatures are kept at an optimum level for efficient feed conversion and meat production. We don’t need a crystal ball to know how this will affect prices at the grocery, and this does not include the “trickle-down” effect it will have on transportation, processing, and heating at all the facilities involved from the farm to the store. Another facet of this is that more of our food may be imported from countries with very few regulations on pesticide usage, energy, labor, and other issues we control in the United States.

Other segments of agriculture such as field crops like corn, soybeans, wheat, and cotton have felt the pinch of higher fuel costs, forcing farmers to consider energy-saving methods like no-till farming. Further cost increases may burden even these producers beyond their limits.

We have enjoyed a period of false prosperity in the last few years, and it seems that “the dance is over and it’s time to pay the fiddler.” This may be the greatest challenge that has faced agriculture in my lifetime; how we cope with it will likely determine how well fed and clothed we will be in the future. The easy answer is that we must “fix” this situation before our agriculture is damaged beyond repair, however there are some very large obstacles in the way and it may take all of us to push them aside.