



Bioenergy Program

Overview

USDA's Bioenergy Program pays U.S. commercial bioenergy producers, both ethanol and biodiesel, to increase their bioenergy production from eligible commodities in one Fiscal Year (FY) compared to the same time period in the previous FY and FY to date. The program also pays for FY 2005 biodiesel producers for production that is not an increase from the previous FY (base production) at 15 percent the rate of increased production. Bioenergy is commercial fuel-grade ethanol and biodiesel made from program eligible commodities.

The Bioenergy Program is administered by USDA's Farm Service Agency (FSA) and funded by USDA's Commodity Credit Corporation (CCC) under Title IX, Section 9010, Farm Security and Rural Investment Act of 2002 and Section 5 (e) of the CCC Charter Act, 15 U.S.C. 714c authority.

Goal

The goals of the Bioenergy Program are to encourage increased purchases of eligible commodities for the purpose of expanding production of such bioenergy and support new production capacity for such bioenergy.

Program Cost

The program is funded at up to \$150 million each FY for FYs 2003 through 2006.

Sign-up

The Bioenergy Program sign-up period is August 1 through August 31, or as announced. To participate in the program, producers must complete a Bioenergy Program Agreement, Form CCC 850 and Bioenergy Program Annual Production Information, Form CCC-850 Supplement. Forms are available at: USDA, FSA, Kansas City Commodity Office, Contract Reconciliation Division, P.O. Box 419205, STOP 8758, Kansas City, MO 64141 6205, Telephone 816-926-6525; or via the Internet at: www.fsa.usda.gov/daco/bio_daco.htm.

Bioenergy producers who expect to have eligible production at any time during a FY must enroll in the program during or before the applicable FY's sign-up period. For example, a producer with a new plant that is expected to become operational in July 2005 must enroll that plant in the program during FY 2005's sign-up period to be eligible to receive program payments on that new production during 2005. Producers may enroll in the program for a single FY or multiple FYs. Multi-year enrollments require

annual production estimates, Form CCC-850 Supplement, by FY during the applicable sign-up period.

Eligibility Requirements

All commercial bioenergy producers are eligible to participate in the program. To participate, ethanol producers must provide USDA with evidence of increased production of bioenergy and increased purchase and utilization of agricultural commodities related to that increased production; biodiesel producers must provide evidence of production and purchase and utilization of agricultural commodities related to that production. The following conditions also apply:

- All fuel ethanol production is eligible; however, ethanol under 200 proof will be converted to 200 proof gallons before payment calculations are made.
- Ethanol producers must produce and sell ethanol commercially and have authority from the Bureau of Alcohol, Tobacco, Firearms, and Explosives to produce ethanol for fuel or sell denatured ethanol rendered unfit for beverage use.
- Biodiesel producers must produce and sell biodiesel commercially, and the biodiesel must be a mono alkyl ester manufactured in

the United States that meets the American Society for Testing and Materials Standard's biodiesel standard.

Once a producer is accepted into the program, USDA will provide additional instructions on how to submit quarterly applications for payments.

Eligible Commodities

Eligible commodities are those listed below that are produced in the U.S. and its territories:

- Barley;
- Corn;
- Grain Sorghum;
- Oats;
- Rice;
- Wheat;
- Soybeans;
- Cotton Seed;
- Sunflower Seed;
- Canola;
- Crambe;
- Rapeseed;
- Safflower;
- Sesame Seed;
- Flaxseed;
- Mustard Seed;
- Cellulosic crops, such as switchgrass and hybrid poplars;
- Fats, Oils, and Greases (including recycled fats, oils and greases) derived from an agricultural product; and
- Any animal byproduct (in addition to oils, fats and greases) that may be used to produce bioenergy, as the Secretary determines.

Payments

USDA will pay eligible producers up to \$150 million each FY on a quarterly basis. Payments to each producer are capped at 5 percent of available funding (up to \$7.5 million) each FY. USDA will base ethanol payments on the increase in ethanol production compared to the previous FY's production and biodiesel payments on the biodiesel production in FY 2005.

Payments will be structured to encourage participation of producers with less than 65 million gallons annual production capacity.

Producers with total annual production of:

- less than 65 million gallons are reimbursed 1 feedstock unit for every 2.5 used for increased production;
- 65 million gallons or more are reimbursed 1 feedstock unit for every 3.5 used for increased production.

In addition to the above, biodiesel producers are reimbursed for base production at 15 percent the rate of increased production in FY 2005.

If the applications exceed the program's available funding, USDA will apply a factor to payments to hold program expenditures to available funding for the applicable FY. Existing conversion factors and payment calculations are available at the program's Web site identified below.

More Information

Further information on the Bioenergy Program is available in the Federal Register, 7 CFR 1424, published May 7, 2003, and on the program's Web site at: www.fsa.usda.gov/daco/bio_daco.htm. More information on this and other FSA programs is available from local FSA offices or on FSA's Web site at: www.fsa.usda.gov

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