

International Sorghum for Biofuels Conference

**Workshop # 1
Economic Analysis**

Top 5: Challenges / Knowledge Gaps

Challenges / Knowledge Gaps	Impact				Implementation		
	A.Prod uctivity	A.Peop le	A.Cou ntries / Geogra phy	A.Overa ll Impact	A.Diffi culty	For top 5 in column E, capture reason for why difficult to address	A.Co opera tion Need ed
Cost of feedstock and relationships with output price (25)	18	16	18	25	14	Cottage industry on production side but established commodity market on output side;	16
Effects of policy interventions (21)	11	14	13	18	18	Lots of policies, lots of countries, "we're not corn," interest groups, conflicting agendas, threats/benefits	20
Understanding risks and mitigating factors; risk management. (combined w/21) (23)	21	19	11	22	17	Lack of standardized futures market; sporadic price reporting; amount of data needed; new countries in market, crop insurance as bridge; how to demonstrate sustainability; era of paradigm shifts make it hard to understand risks...volatility.	26
Relationship with energy (fossil fuel) markets (15)	8	9	14	15	12	Conflicting agendas; they control market;	9
Access to capital (16)	9	12	14	16	13	Capital market doesn't understand; we can't explain risks; capital markets more risk averse.	13

Key Messages

- Understanding the entire value chain is key to economic analysis and the impacts on productivity/profitability, people, and countries.
- Value chain analysis, which there may be some commonalities, must be done on a regional basis.

Top 5: Possible Strategies

Challenge / Knowledge Gap	Possible Strategies	
	Solutions / Approaches	Time Frame = S, M, or L
1. Cost of feedstock and relationships with output price	a. Perform regional cost of production studies related to local alternatives. Assess and keep track of regional geographics to determine viability of rainfall, etc. and impact on productivity; assess opportunity costs; sensitivity analysis.	ST
	b. Develop mechanism to link sales and purchasing contracts; what represents feasible way to structure contracts that addresses both parties' issues?	ST
	c. Provide market information on pricing; price the value of sweet sorghum from price of oil.	ST
2. Effects of policy intervention.	a. Develop a consensus to establish mandates and how they can impact overall success.	ST
	b. Study and recommend policy options, best practices, etc.	ST
	c. Strengthen advocacy relationship between biofuel and sorghum associations.	ST
3. Understanding risks, mitigating factors; risk management.	a. Focus on changing policies and advocating for policies.	ST
	b. Work toward getting sorghum an insured crop.	ST
	c. Develop institutional framework for data that can then be used for risk modeling.	ST
	d. Continue research for diversification.	ST

Top 5: Possible Strategies

Challenge / Knowledge Gap	Possible Strategies	
	Solutions / Approaches	Time Frame = S, M, or L
4. Relationships with energy markets	a. Establish that vehicle manufacturers will change warranties and then increase blend rates.	ST
	b. Create opportunities/mechanisms for greater dialogue amongst stakeholders (oil, vehicle manufacturers, producers, politicians, governments, consumers, etc.)	ST
	c. Recommend Congressional committee for biofuels.	ST
5. Access to capital.	a. Create opportunities/mechanisms to inform financial investment community about sorghum.	ST
	b. Develop right feasibility studies and off-takers; developed countries assist.	ST
	c. Locate/develop relationships with financial institutions which specialize in biofuels.	ST

Collaboration

Benefits

- Greater efficiencies, economies
- Shorter learning curve
- An educated consumer = greater grassroots support = impetus for policy change = stronger market
- Lower investment/costs
- Easier/greater access to capital

Barriers

- Proprietary information; unwillingness to be candid; lack of trust.
- Competition
- Lack of infrastructure
- Decentralized nature of production
- Potential for current/future production doesn't support demand

Collaboration

Potential Next Steps

- Examine current sources of information and structure for sharing information; create/revise mechanisms.
- Focus on defending mandates.
- Emphasize importance of collaboration.
- Follow up on conference initiatives.