



## RISE OF CONSUMER MILK AND DAIRY PRICES – CORN PRICES NOT TO BLAME

An overwhelming amount of media coverage has recently pointed the finger at rising ethanol production as the sole cause of higher prices for milk, cheese and other dairy products, including Domino’s pizza, as well as rising food prices as a whole.

A closer look at the issue, however, reveals a much different story.

An evaluation of milk prices reveals that traditional market forces are far more important in understanding rising consumer milk prices than the price of corn. In the June 27 edition of the *Sacramento Bee*, four dairy industry experts explained the real reason why consumers are paying more for a gallon of milk.

A formula under regional Milk Marketing Orders sets the price of milk across the country. As the experts point out, the main component in this formula is market conditions (supply and demand).

“...officials plug in the market prices for the four globally traded dairy commodities -- butterfat, dry milk powder, whey powder and cheddar cheese -- and churn out the price that bottlers must pay farmers for their milk. The prices of two of these commodities -- milk powder and whey -- are very high right now, thanks to a supply shortfall driven by a variety of global trends. Those trends have raised the base price of milk paid to California dairy farmers” (*Sacramento Bee*, 6/27/07).

In addition, the panel recognized that higher corn prices are having little effect on consumer prices or dairy producers.

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## RFA ON STAGE AT IOWA CORN INDY 250

RFA President Bob Dinneen was on stage at the inaugural Iowa Corn Indy 250 held Sunday, June 24 at the Iowa Speedway in Newton, IA.



RFA President Bob Dinneen stands next to the Team Ethanol Indy Car.

This first time race on the Indy Racing League schedule once again put ethanol on a national stage to showcase the performance value of the fuel in these high powered race cars.

The race was won by Dario Franchitti who also won this year’s Indy 500. Once again though ethanol was the winner as all the cars are running on 100% ethanol.

## STUDY FINDS AMERICANS SUPPORTIVE OF ALTERNATIVE FUEL RESEARCH

A Wall Street Journal Online/Harris Interactive poll recently inquired about important strategies for reducing energy consumption for automobile use in the U.S. From June 19 through July 21, 2007 2,057 adults were surveyed.

According to the results, 79 percent of respondents said that encouraging the development and use of alternative fuels is important. In addition, 73% of respondents said it is important to increase fuel efficiency standards on all vehicles.

For additional information, read the Wall Street Journal story at:

<http://online.wsj.com/article/SB118304470725951593-search.html?KEYWORDS=ethanol&COLLECTION=wsjie/6month>

## Dairy Prices, cont'd.

“Corn is a staple feed on large dairy farms, and it is about 35 percent more expensive this year than last, largely due to the demand from new ethanol plants.

But feed costs are not part of the formula that determines the price of milk, so there's no direct way for dairy farmers to pass on their costs to bottlers and consumers” (*Sacramento Bee*, 6/27/07).

The panel of experts for the *Bee* article included:

- Roger Hoskin, a dairy economist at the U.S. Department of Agriculture's Economic Research Service
- Leslie Butler, a dairy economist at the University of California, Davis
- Joel Karlin, a market analyst at San Joaquin Valley feed giant Western Milling
- Kelly Krug, director of milk marketing services for the California Department of Food and Agriculture

According to a 2001 Government Accountability Office report entitled “Fluid Milk: Farm and Retail Prices and the Factors That Influence Them”, processing, packaging and distribution have a huge impact on the price of milk.

The report states, “...at the wholesale level, the costs of pasteurization, packaging, and transportation, have a major influence on milk prices, and for some retailers the pricing strategies used by other retailers may have a significant influence on the prices that consumers pay for milk at the retail level.”

It should come as no surprise, then, that the rise in petroleum prices and gasoline prices is followed closely by a rise in food prices since petroleum is a key energy input in all the stages required to bring food from the field to the aisle.

According to an analysis of food, energy and corn prices conducted by John Urbanchuk of LECG, LLC, “rising energy prices had a more significant impact on food prices than did corn.” In fact, rising energy prices have twice the impact on the Consumer Price Index (CPI) for food than does the price of corn, according to the report.

## SLAVES IN BRAZILIAN ETHANOL PLANT SAVED

On Friday, Brazilian authorities freed 1,100 sugarcane field workers who had been subjected to slave-like working conditions in the remote Amazon town of Ulianopolis.

The 3-day raid may be the biggest to date in Brazil against debt slavery in the Amazon.

The workers had been working 13-hour days in remote locations where plantation owners charge exorbitant prices for necessities like food, medicine and transportation. Also, the workers were forced to endure poor sanitation facilities, spoiled food, unsafe water and cramped sleeping quarters.

Sugar cane cutters are often paid below the nation's minimum wage of 380 reals (\$200) per month.

The company, Para Pastoril e Agricola SA, is located in the northern state of Para and produces 13.2 million gallons of sugar-cane ethanol per year.

For more information, read the Associated Press story at:

<http://www.forbes.com/feeds/ap/2007/07/03/ap3883095.html>

## RFA WELCOME NINA BENASZESKI AS ADMINISTRATIVE ASSISTANT

The RFA is proud to welcome Nina Benaszkeski as the new Administrative Assistant. Those who call the RFA will speak first with Nina, the welcoming, new voice on the phone.



Nina is a recent graduate from the University of Minnesota. She has graduated with a Bachelor of Arts degree in both Political Science and Global Studies.

“I am delighted to start my position with the Renewable Fuels Association; I look forward to working with our staff and members at such an exciting time for the ethanol industry.”

## MORE ETHANOL DOESN'T EQUAL MORE EXPENSIVE BEER

When it comes to ethanol, critics appear willing to do whatever it takes to discredit the success that American farmers are having in continuing to feed the world and now help fuel our nation. They have tried to blame higher milk prices on ethanol demand and are now blaming a higher tab at happy hour on ethanol (the same alcohol that is in beer).

A closer look at the facts reveals the very same story we have seen time and again with all other food markets: energy, transportation, raw materials, packaging, labor and advertising costs have far more to do with the price of food, including beer, than does higher corn prices due to ethanol demand.

With beer, the raw material is malt barley. While it is true that barley prices have risen, it is not because of barley acres being diverted to corn production.

In fact, barley planting is up 17%, reversing four years of decline.<sup>1</sup> It is this reduced production in prior years, along with dry weather resulting in reduced malting barley supplies that have depleted stocks and are primarily responsible for the rise in price at a time of increasing barley demand for both food and feed use

According to John Stump, Colorado Commissioner of Agriculture, "Thus, even with today's higher grain prices, the barley in a gallon of beer costs about 9 cents - or roughly a dime for a six-pack of beer that sells for anywhere from \$3 to \$5 in a package store..."<sup>2</sup> In addition, adjusting the price of beer (\$ per 16 ounce container) for inflation since 2002 shows that the real price of beer has actually decreased slightly.<sup>3</sup>

As with meat, poultry, milk, corn flakes and all the other goods in consumers' food baskets, a whole host of factors have a larger impact on consumer food prices than corn and other agricultural products that go into making the goods.

<sup>1</sup> U.S. Department of Agriculture (USDA)/National Agricultural Statistics Service (NASS)

<sup>2</sup> *Denver Post* editorial "Switch to ethanol driving up the price of beer? D'oh?," 7.11.07

[http://www.denverpost.com/opinion/ci\\_6342205](http://www.denverpost.com/opinion/ci_6342205)

<sup>3</sup> U.S. Bureau of Labor Statistics

## RANGE FUELS TO BUILD FIRST CELLULOSIC ETHANOL PLANT

The RFA is pleased to announce that Range Fuels will build the nation's first commercial-scale cellulosic ethanol plant in Truetlen County, Georgia.

The plant will use wood waste from Georgia's forests to produce 100 million gallons per year of cellulosic ethanol. Beginning construction later this summer with a completion date in 2008, the first phase of the plant is expected to produce 20 million gallons of per year.

The K2 system, Range Fuels' thermo-chemical conversion process, completely eliminates expensive enzymes and has the ability to process a broad range of potential biomass feedstocks.

On February 7 of this year, Range Fuels, together with Governor Perdue, announced plans to build the plant. On February 28, they were then awarded a \$76 million grant from the Department of Energy.

## RENEWABLE ENERGY CONFERENCE & EXPO IN IOWA

A conference on renewable energy, the first of its kind, will enlighten and inform business leaders and consumers from across the globe. *Renewable on Parade*, in Washington, IA Sept. 20-23, will comprehensively address world energy demands of the 21<sup>st</sup> century.

A comprehensive and diverse array of expert speakers in many alternative energy disciplines will be featured in a business conference and a consumer expo that will run concurrently.



The September event will explore all issues related to renewable energy, providing an ideal venue for networking, brainstorming and educational opportunities. Early registration ends August 1<sup>st</sup>. To register or to receive more information, please go to:

<http://www.RenewableOnParade.com>

## RFA MEMBERSHIP CONTINUES TO GROW

The Renewable Fuels Association (RFA) continues to see steady growth in membership. Please join us in welcoming the following 24 new members this month. We look forward to working with our new members as we continue to promote the increased use and production of ethanol.

A complete listing of all RFA member companies is attached. An updated RFA roster is available on the Members Center of the website.

### PRODUCER MEMBERS (3)

**Blue River Ethanol LLC:** Blue River Ethanol will produce and sell ethanol in Indiana.

**Buffalo Ridge Energy:** BRE will be a 50 mgy ethanol plant located in Southeastern South Dakota.

**Harvest Biofuels LLC:** Harvest Biofuels is developing two ethanol biorefineries in Iowa.

### ASSOCIATE MEMBERS (18)

**AEP River Operations/MEMCO Barge Line:** Headquartered in St. Louis, Missouri, AE/MEMCO offers unparalleled service in barge transportation throughout the inland waterway system, operating over 2,600 barges and over 50 towboats. AEP/MEMCO is a wholly owned subsidiary of American Electric Power.

**Aon Risk Services:** Aon Risk Services offers risk management and insurance services.

**Codexis, Inc.:** Codexis is a leading developer of biocatalytic chemical processes that can dramatically reduce manufacturing costs across a broad range of industries. Their proprietary technology enables novel solutions for cost-effective, efficient and environmentally sound production of transportation fuels.

**ENSR Corporation (dba The RETEC Group, Inc.):** As a consulting, engineering, and environmental services firm, The RETEC Group assists their clients throughout the business life cycle – from new asset development to ongoing operations to final assessment disposition and restoration.

**Ford Motor Company:** Ford manufacturers light duty motor vehicles.

**Fredrikson & Byron, P.A.:** Fredrikson & Byron is a full-service law firm providing legal services to biofuels developers, investors contractors and consultants.

**Fulbright & Jaworski LLP:** The international law firm of Fulbright & Jaworski provides legal services to developers, financiers, and other participants in ethanol and other alternative energy projects in the US and around the world.

**Maize Processing Innovators, Inc.:** MPI is a marketing company of innovative wet mill and dry mill processing technology.

**Moore Stephens Frost Financial Group:** The largest accounting firm in the State of Arkansas. With expertise in row crop farming, animal agriculture, and food processing businesses, they serve clients in 40 states and several foreign countries.

**Patterson, Newman & Associates, LLC:** PNA currently performs attest engagements required by the EPA under 40 CFR, Part 80, "Regulation of Fuels and Fuel Additives," for numerous industry clients, including the newly enacted attest engagement requirements under the Renewable Fuels Standard Program. Also, PNA performs regulatory compliance audits for the State of Arizona under the CBG program, laboratory audits for independent laboratory companies and refinery laboratories, and auditing and consulting services.

**Pursuit Dynamics:** Owns and commercializes the PDX fluid processing reactor for industries including bio-ethanol, food and beverage, fire suppression, brewing, and decontamination. In bio-ethanol production, the PDX is used both in improving yield and reducing enzymes required for conventional corn ethanol hydrolysis, and as a scalable pretreatment system for cellulosic ethanol production.

**QuantityWare GmbH:** QuantityWare is an IT-consultancy company based in Germany, providing volume conversion factor software for specific usage in SAP ERP systems.

**R2R Inc.:** R2R specializes in industrial recycling, including process equipment and storage tanks. They currently have a large inventory of large steel tanks.

**Sonora Fields S.A.P.I. DE C.V.:** Sonora Fields is an ethanol producer and marketer in Mexico.

**Stanley Consultants, Inc.:** Stanley Consultants is a full service engineering and design company teaming with contractors to provide design/build services to the ethanol industry.

**Third Inning Solutions:** Third Inning Solutions provides turn-key project development consulting; assisting start-ups in project financing, key contract negotiations, design-build oversight, preoperations, business development and management consulting.

**Vertical North America:** Vertical North America markets and distributes fuel and industrial ethanol.

**Wilson Sonsini Goodrich & Rosati:** WSGR provides legal services to project developers.

### **SUPPORTING MEMBERS (3)**

**Buckeye Renewable Fuels Association:** The Association is organized exclusively to improve the business conditions and promote the common business interests of those seeking to advance the production and use of renewable fuels within the state of Ohio.

**Illinois Institute for Rural Affairs:** The IIRA is designed to improve the quality of life in rural areas by developing public-private partnerships with local agencies on small business development and community development projects in rural areas. The Institute works on projects including rural economic and community development (including value-added agriculture), health care, education, public transportation, public management policies, housing and technology.

**National Corn-to-Ethanol Research Center:** The National Corn-to-Ethanol Research Center (NCERC) conducts its own research, and research on behalf of private clients to improve the benefits of fuel ethanol production and use.

## **RFA AT GREEN GRAND PRIX**

RFA Director of Communications, Matt Hartwig, drove one of only 20 new 2007 Ford Escape Flex Fuel Hybrids currently being tested around the country in the 3rd annual Green Grand Prix July 6 at Watkins Glen, NY.

Hartwig and co-pilot Joanna Schroeder with the Ethanol Promotion and Information Council were able to



RFA Communications Director Matt Hartwig drives the Ford Hybrid E85.

average nearly 31 miles to the gallon in the Ford Escape, which is on loan to the RFA from Ford.

The Green Grand Prix features a road rally held on a 78-mile course around the perimeter of beautiful Seneca Lake in the Finger Lakes region of upstate New York. The event is organized annually by the Seneca Lake Pure Waters Association, according to Executive Director Carol Fitzgerald.

“The goal of the event was to be able to create more awareness of alternative fuels and the impact they can have on the environment,” said Fitzgerald.

### **RFA Calendar of Events**

July 18 - 20, 2007

#### **2007 Farm to Fuel Summit**

St. Petersburg, Florida

RFA Communications Director Matt Hartwig to speak

September 20- 23, 2007

#### **Renewable on Parade**

Washington, Iowa

October 2 - 3, 2007

#### **RFA Annual Membership Meeting**

Washington, DC

Meeting information will be emailed to member companies when it becomes available

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is now **ONLINE!**