

**HARKIN, OBAMA: RAISING RENEWABLE FUEL STANDARD BOOSTS OUR RURAL ECONOMY**

The U.S. House of Representatives has passed an energy bill that includes among its provision an expansion of the Renewable Fuels Standard (RFS). Under the House-passed legislation, gasoline refiners would be required to use 36 billion gallons of renewable fuel by 2022. The bill would also require that 21 billion gallons of that goal be met with advanced biofuels, including cellulosic ethanol.

Upon its passage, **RFA President Bob Dinneen** issued the following statement:

“The House of Representatives took an important step forward today in ensuring a stronger and more sustainable energy and environmental future for this country. This bill recognizes the critical importance of diversifying our nation’s motor fuel supply by increasing the use of renewable fuels like ethanol.

“Importantly, the renewable fuels provisions of this bill take a pragmatic approach to ensuring that the promise of advanced biofuels like cellulosic ethanol is realized. By requiring that nearly two-thirds of the new 36 billion gallon goal must come from advanced biofuels, House leaders have provided the necessary market to foster the continued investment and development of the cellulosic arm of the U.S. ethanol industry.

“Additionally, this bill moves ethanol and renewable fuels beyond being just a blending component in gasoline. It guarantees that sufficient volumes of ethanol will be available to support the meaningful expansion of E85 and flexible fuel vehicle technology. And, it puts America in a stronger position to weather the antics of despots in oil-rich nations because we are no longer so heavily reliant on their petroleum for our energy needs.”

MARKETING BILL, INCREASING DEMAND DRIVING FOOD PRICES HIGHER

Growing U.S. Ethanol Production Not the Scapegoat

According to a recently released report from [Informa Economics](#), it is a complex set of factors that determine food price and the impact of higher corn prices is marginal at best.



The Informa report identifies the so-called

“marketing bill”—the portion of final food costs that excludes grains or other raw materials—as a key driver of the consumer price index (CPI) for food, largely due to rising energy and transportation costs. Another significant factor in consumers’ food bills is surging global demand for commodities.

The report finds a comparatively “weak correlation” between corn prices and overall food costs. In fact, just four percent of the change in the food CPI could be attributed to fluctuations in the price of corn. Simply put, the growing U.S. ethanol industry is not the cause of food price inflation.

“This analysis puts to bed the argument that a growing domestic ethanol industry is solely responsible for rising consumer food prices,” said **Informa Chairman and Chief Executive Officer Bruce Scherr**. “The statistical analysis plainly details that energy-intensive activities such as processing, packaging and transporting, as well as the cost of labor, have a far greater impact on consumer food bills than the price of grain. It may be politically convenient to blame ethanol for rising food prices but it doesn’t make it factually accurate. As far as Informa is concerned, this debate is settled.”

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INFORMA, cont'd.

The debate surrounding the root cause of food prices has become grounded more in emotion than fact. Informa's analysis lays bare some of the key factual points that help put to rest those emotional arguments. Key findings include:

- The "farm value" of commodity raw materials used in foods accounts for 19% of total U.S. food costs, a proportion that has declined significantly from 37% in 1973.
- There is no statistical evidence to suggest that high and/or rising corn prices are the causative reason behind high and rising retail meat, egg and milk product prices.
- No single factor drives consumer food prices over time.

The analysis concludes:

"While there have been a number of stories in the media over the last year indicating that consumer food prices are being driven higher by an ethanol-induced increase in corn prices, there is little evidence of such a simplistic cause-and-effect linkage. ... While an increase in corn prices will affect certain industries – for example, causing livestock and poultry feeding margins to be lower than they otherwise would have been – the statistical evidence does not support a conclusion that there is a strict 'food-versus-fuel' tradeoff that is automatically driving consumer food prices higher."

A copy of the analysis, entitled "**Analysis of Potential Causes of Consumer Food Price Inflation**," can be found on Informa's website at www.informaecon.com.

RFA Calendar of Events

February 25-28, 2007
13th Annual National Ethanol Conference
Orlando, Florida

*** If you have any upcoming events you would like added to the Ethanol Report Calendar, please email the RFA at nina@ethanolrfa.org

RECORD OIL PRICES UNDERScore NEED FOR RENEWABLE ALTERNATIVES

Rising Oil Prices Impact Americans at the Pump, In the Grocery Aisle

In what seems like a broken record, crude oil prices continue to yo-yo at or near \$100 a barrel. Boosted by geopolitical concerns, supply concerns in this country and wild speculation that has come to define many commodity markets, oil prices are setting new records each day. The unabated rise of oil prices will end up costing Americans at the pump as well as in the grocery aisle.

"The wild rise in oil prices at a time when prices should be holding steady underscores the kind of volatility in the marketplace that is only being mitigated today by the use of renewable fuels like ethanol," said Renewable Fuels Association President Bob Dinneen. "The nearly 6.5 billion gallons of ethanol the U.S. will produce this year is going a long way to help meet the growing demand for gasoline. By blending ethanol in gasoline today, refiners can save consumers up to 10 cents per gallon and help soften the inevitable rise in gas prices thanks to record oil prices. Unfortunately, not all refiners are capitalizing on the economic advantages of ethanol blending."

According to oil industry analysts, oil refiners could be passing savings of up to a dime a gallon along to consumers if they blend ethanol into their gasoline. **Tom Kloza** of the **Oil Price Information Service (OPIS)** told *CNNMoney* on October 2:

"[Ethanol's] cheap, and you can cheapen the price of gasoline," said Tom Kloza, an analyst at the Oil Price Information Service. "Everybody is trying to get the logistics worked out so they can have ethanol in their gasoline by 2008."

Kloza said using that blend would shave 4 to 10 cents off the price of a gallon of gas.

Bruce Babcock, a professor of economics at **Iowa State University**, recently explained the role of energy in food price to **Diane Rehm** of **National Public Radio** this way:

OIL, cont'd.

“I did a couple of calculations [and] crude oil prices are up about 60% over the last two years, gasoline prices [are] up 50% [and] diesel [is] up more than 50% and if you look at the share of the retail food dollar accounted for by energy prices relative to commodity prices, I think that energy prices would probably have a greater share – so **if you actually increase energy prices by 50% or 60% that’s going to have a bigger impact on the price of food than higher commodity prices.**” [Transcript of “The Diane Rehm Show,”
<http://wamu.org/programs/dr/07/10/02.php#13742>]

Additionally, **Acting Secretary of Agriculture Chuck Conner** recently addressed the issue of rising food prices, saying:

“And all retail food prices continue to be impacted, of course, by the large factor of the retail price of oil. About 80 cents of every retail dollar spent on food goes to cover processing, packaging, distribution and marketing costs. Of course you recognize all of those are very, very intensive consumers of energy and directly impacted by rising energy costs.”

REGISTER NOW FOR THE 13TH ANNUAL NATIONAL ETHANOL CONFERENCE



The NEC will be held **February 25-27, 2008**, at the **JW Marriott Orlando, Grande Lakes** resort in sunny **Orlando, Florida**. To register, visit the RFA website at: www.nationalethanolconference.com.

ENERGY AND NATIONAL SECURITY: THE ROLE OF RENEWABLE FUELS

That was the theme of a recent seminar sponsored by the Renewable Fuels Association and hosted by the **Reserve Officers’ Association (ROA)** on Capitol Hill.



Keynoting the seminar was **former Director of Central Intelligence** and friend to America’s renewable fuels industry, **R. James Woolsey**. Mr. Woolsey addressed the need for a comprehensive energy policy that breaks our addiction to oil and stops the flow of American dollars to countries and regimes that fund the organizations seeking to do this nation harm.

Joining Mr. Woolsey was a distinguished panel of energy and national security experts including:

- **Bill Holmberg**, Chair, Biomass Coordinating Council, ACORE (MODERATOR)
- **Anne Korin**, Director, Institute for the Analysis on Global Security
- **Milt Copulus**, President, National Defense Council
- **Steve Siegel**, Vice President of the Energy Security Group

To a panelist, all agreed that action must be taken to address the national security impacts of our growing dependence on foreign oil. Mr. Copulus noted specifically that our nation spends approximately \$100 billion annually to secure the free flow of oil from the Persian Gulf alone. And, if all expenditures ensuring oil reaches our gas tanks were factored in, American drivers should add \$10 per gallon to the price they pay the next time they fill up.

To view the whole seminar, visit the ROA website at:

www.roa.org/site/PageServer?pagenam=EnergyandNationalSecurity

BUSTING THE ETHANOL MYTHS

There is no shortage of misinformation being propagated by opponents of renewable fuels. In particular, they exaggerate and “super-size” concerns about a range of issues from food prices to environmental concerns to most recently rising Christmas tree prices in Germany.

Getting through this fog of taradiddle is not easy. But the best antidote for nonsense is the truth. To that end, several groups supportive of ethanol and all renewable fuels are working feverishly to ensure the facts about ethanol are reaching the public.



For instance, the RFA now boasts an web feature entitled “Answers About Ethanol.” It is also

works to update its blog, “[The Ethanol Report](#).”

In addition, the **National Corn Growers Association** (NCGA) continually puts out new material setting the record straight. Their latest piece, “Top 10 Corn & Ethanol Myths,” answers numerous charges including:

1. **There’s not enough corn to go around.**

There is not only enough corn for all demands – food, feed, fuel and fiber – but more than enough. Estimated U.S. corn surplus for 2007 (the amount left over after all needs are filled) is projected at 1.8 billion bushels, well above the 20-year average and is the fifth-highest level in the last two decades.

Finally, supporters of renewable fuels are engaging in a joint effort, known as the **Renewable Fuels Now coalition**, to better leverage the resources of all the groups supporting the growth of America’s domestic renewable fuels industry.

If you are interested in learning more, please visit www.RenewableFuelsNow.org.

RFA PRESIDENT: AMERICA’S ENERGY FUTURE IS AT A CROSSROADS

During a cellulosic ethanol summit in Washington earlier this autumn, RFA President Bob Dinneen called on the U.S. ethanol industry as a whole to address the charges of renewable fuel critics. The following is an abbreviated version of those remarks. A complete copy is available at www.ethanolrfa.org/media.

“Ethanol, and America’s energy future, is at a crossroads. Either we will continue on a path toward greater energy diversity and security by expanding the current Renewable Fuel Standard to motivate investment in new cellulosic ethanol technologies, or we will succumb to the nattering nabobs of negativity who are seizing upon every unfounded fear to thwart the worldwide movement toward biofuels, leaving us evermore dependent upon petroleum and it’s environmental and economic consequences.”

“Some here might think the choice is obvious. It is not. Well-funded opponents are engaged in a coordinated effort to protect the status quo.”

“To our opponents, there is no good ethanol or bad ethanol; there is only ethanol, and it’s all bad. Within the ethanol industry, we must not draw meaningless distinctions between feedstocks either; we must propagate the message that all ethanol is good; it’s all better than petroleum.”

“We all need to respond to the hysterical claims about ethanol. Angst in the oil patch has been raised to new heights as Congress contemplates a 36 billion gallon Renewable Fuel Standard that provides a certain market for 21 gallons of cellulosic ethanol and moves ethanol from a blend component into a significant alternative to gasoline.

“But the angst begs the question, ‘If not biofuels, what?’ ‘If not now, when?’ These are the questions Congress must answer. And we must demand an energy policy that promotes a more sustainable energy future. We must have an accelerated and expanded RFS that motivates investment in cellulosic ethanol while providing a strong foundation for existing production to continue to grow. We need this now.”