



Renewable Fuels Association

## DAILY NEWS SUMMARY

Friday, May 30, 2008

### **National**

#### 1. Mo. senator boasts ethanol industry

CNN Money

<http://money.cnn.com/news/newsfeeds/articles/apwire/f1fefdaa18845a3944a401eea941b92f.htm>

*“Sen. Kit Bond renewed his commitment to the corn-based ethanol industry Wednesday, despite a growing number of critics who blame rising food prices on crop-based fuels. ‘The cost-of-food impact of ethanol is almost immeasurable,’ Bond said. “Ethanol, by lowering the cost of transportation, is helping lower the cost of food.”*”

#### 2. Obama and McCain seen resolute on biofuel push

Reuters

<http://www.reuters.com/article/newsOne/idUSN2938716420080529>

*“Republican presidential candidate John McCain and his likely Democrat rival, Barack Obama, will remain steadfast in their support for biofuels on the road to the White House, despite rising global discontent over the idea of using crops to make fuel. But if food prices keep soaring, there could be weakening of incentives for the biofuels sector during the next administration, although Obama, hailing from second highest corn producing state in the country, would likely be the most aggressive initially in support of the industry.”*

#### 3. Global biofuel output to soar in next decade: report

Reuters

<http://www.reuters.com/article/GCA-Agflation/idUSL2930418620080529>

*“Global production of biofuels will rise rapidly over the next decade, helped by high government blending targets and subsidies, the OECD and the U.N.'s FAO food agency said in a report published on Thursday. These rises will boost already soaring world agricultural commodities prices and reduce their availability for food and feed, the Organization for Economic Co-operation and Development and the Food and Agriculture Organization said in co-drafted report.”*

### **Regional**

#### 4. Ethanol blends: Renegades' recipe for a cheaper fuel

Minneapolis (MN) Star-Tribune

[http://www.startribune.com/business/19374369.html?location\\_refer=Most%20Emailed:H  
omepage](http://www.startribune.com/business/19374369.html?location_refer=Most%20Emailed:Homepage)

*“Wally Lutz believes in ethanol, not least because his western Minnesota neighbors grow the corn that goes into the biofuel. So for three years, Lutz has done his best to put at least half ethanol in his family cars, which aren't meant to be powered by anything but standard gasoline. His commitment meant a stop at a gasoline pump and another at an ethanol pump at his Montevideo Cenex station every time he fueled up.”*

#### 5. Ethanol backers hail new opening

Argus (SD) Leader

[http://www.argusleader.com/apps/pbcs.dll/article?AID=/20080530/NEWS/805300344/10  
01](http://www.argusleader.com/apps/pbcs.dll/article?AID=/20080530/NEWS/805300344/1001)

*“The recently passed farm bill should help jump-start the cellulosic ethanol industry in South Dakota, officials say. A new energy program included in the 2008 farm bill will provide incentives to increase cellulosic ethanol production, which is made from nonedible materials such as wood chips and wild grasses. The program was the main topic of discussion Thursday at the Cellulosic Ethanol Roundtable, which included Sen. John Thune and renewable fuels industry leaders.”*

#### 6. Despite high costs, don't sell the ethanol farm yet

Denver (CO) Post

[http://www.denverpost.com/opinion/ci\\_9420327](http://www.denverpost.com/opinion/ci_9420327)

*“Where's the beef?” The Post editorial board asks. “The cattle industry again this week voiced concerns that ethanol production is driving up the cost of corn, thus hurting ranchers and feed lots in the pocketbook. While it's true that the new energy craze has impacted the cost of corn — it has more than doubled since 2006 — it is also generating new industry in Colorado. At least four ethanol plants have sprouted on our Eastern Plains.”*

#### 7. Farm groups defend use of corn to produce ethanol

Orlando (FL) Sentinel

<http://www.orlandosentinel.com/features/food/orl-food2908may29,0,226521.story>

*“Using corn to make ethanol fuel is a “minuscule” part of the spark behind soaring food prices, American farm groups said Wednesday. The American Farm Bureau Federation and representatives of corn farmers, wheat growers and sorghum producers blamed commodity speculators, growing demand for food worldwide, and the rapid run-up in oil and other costs for higher retail prices for bread, milk, beer, rice and other products.”*

#### 8. Editorial: Ethanol timeout for Texas

Waco (TX) Tribune

<http://www.wacotrib.com/opin/content/news/opinion/stories/2008/05/30/05302008wacedit.html>

*“Gov. Rick Perry made the right decision when he came out in opposition to the federal requirement that 9 billion gallons of ethanol must be added to gasoline sold to American motorists,” the Tribune editorial board writes. “The nation’s lawmakers made a serious mistake when they attempted to reduce America’s dependence on foreign oil by providing large subsidies to encourage the production of corn-based ethanol.”*

#### 9. Ethanol plant in Van Wert would aid economy

Van Wert (OH) Times Bulletin

<http://timesbulletin.com/main.asp?SectionID=2&SubSectionID=4&ArticleID=147103&TM=914.296>

*“There's no doubt that many Americans are looking for alternative energy sources in response to the rising cost of fuel. What isn't clear - at least across the board - is what that answer is. ‘I think there's a lot of discussion about using bio energy - whether that's ethanol, biodiesel, etcetera,” said Van Wert County OSU Extension Agent Andy Kleinschmidt. “The upside is that we have the ability to use existing resources and we don't have to import - we can grow it in our backyard.’”*

## 10. Ethanol dissenters lack cohesion

Northwestern Medill (IL)

<http://news.medill.northwestern.edu/chicago/news.aspx?id=90845>

*“Although the U.S. corn-ethanol policy is now under fire, blamed for contributing to rising commodity prices and worldwide food shortages, the opponents aren't finding it easy to articulate opposition to a policy adopted with widespread political and public support. Notably, the Grocery Manufacturers Association, which sees corn as food rather than fuel, shies away from publicly advocating specific changes that might directly conflict with the entrenched pro-ethanol forces.”*

## 11. Ethanol gets a possible comeback

San Francisco (CA) Chronicle

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/05/29/MT8710S4NK.DTL>

*Bill Visnic writes a column for the Chronicle. “Ethanol - essentially grain alcohol - has been used as a fuel since the birth of the internal-combustion engine. Moving into this century, several carmakers have been promoting ethanol (blended with gasoline) as a way to reduce the nation's dependence on foreign oil and to reduce emissions. The driving public, however, hasn't warmed to ethanol for a variety of reasons. One bother is that ethanol contains less energy than gasoline.”*

## 12. Ethanol: the next generation

Minnesota Public Radio

<http://minnesota.publicradio.org/display/web/2008/05/29/newethanol/>

*“The recently passed farm bill offers incentives for those who produce what's likely to be the next generation of ethanol. It's called cellulosic ethanol and it's made from a variety of sources -- corn cobs, corn stalks, grasses even trees. The goal is to get cellulosic ethanol produced commercially as quickly as possible.” MPR investigates.*

## 13. Undoing America's ethanol mistake

Hardin County (TX) News

<http://www.thehardincountynews.com/news/2008/0528/commentary/007.html>

*Sen. Kay Bailey Hutchison writes a column about why she opposes the RFS. "The Nobel-Prize winning economist Milton Friedman once said, "One of the great mistakes is to judge policies and programs by their intentions rather than their results." When Congress passed legislation to greatly expand America's commitment to biofuels, it intended to create energy independence and protect the environment. But the results have been quite different. America remains equally dependent on foreign sources of energy and new evidence suggests ethanol is causing great harm to the environment."*

## **Mo. senator boasts ethanol industry**

NEW YORK (Associated Press) - Sen. Kit Bond renewed his commitment to the corn-based ethanol industry Wednesday, despite a growing number of critics who blame rising food prices on crop-based fuels.

"The cost-of-food impact of ethanol is almost immeasurable," Bond said. "Ethanol, by lowering the cost of transportation, is helping lower the cost of food."

Bond made his comments after hosting a panel discussion about the future use of biofuels at The Donald Danforth Plant Science Center here. The biofuels business has boomed since Congress mandated renewable fuel use in 2005. But the recent spike in global food prices has caused many to reconsider the wisdom of diverting food into gasoline tanks.

The current controversy didn't seem to dampen the enthusiasm for biofuels for the panel of researchers and professors who spoke.

"To me, it's polarizing the discussion. I am among the group of scientists who believe it's not an either-or choice," said Danforth Center President Roger Beachy. The center is helping boost biofuels use, having received a \$1.2 million grant to enhance oil production from soy beans.

Panelists laid out a number of research projects they say could one day help replace fossil fuels with biofuels, from energy producing algae to the use of trees to make cellulosic ethanol.

Washington University Professor Himadri Pakrasi said small "reactors" full of algae could be placed nearby coal-powered plants, using carbon emissions from the coal stacks as a feed stock to generate power.

Monsanto Co. Executive Vice President Jerry Steiner took a more conventional approach. He said corn-based ethanol will only become more practical as the corn-plant becomes more efficient. Genetic engineering and advanced breeding could make an acre of land yield twice as much corn as it does today by the year 2030, he said.

"Our focus is on growing yield sustainably," Steiner said. Monsanto, the world's biggest seed company, is trying to break further into the market for corn seeds by developing drought and pest-tolerant seeds.

As food prices climb, the biofuels industry is facing opposition from the Grocery Manufacturers Association, a food lobbying trade group. Spokesman Scott Openshaw said the group is calling on legislators to reconsider the mandates for renewable fuels.

"There is no question that there are many members of Congress, on both sides of the aisle, that are looking at this anew," Openshaw said in a phone interview.

---

Reuters  
May 30, 2008

## **Obama and McCain seen resolute on biofuel push**

By Christopher Doering

WASHINGTON (Reuters) - Republican presidential candidate John McCain and his likely Democrat rival, Barack Obama, will remain steadfast in their support for biofuels on the road to the White House, despite rising global discontent over the idea of using crops to make fuel.

But if food prices keep soaring, there could be weakening of incentives for the biofuels sector during the next administration, although Obama, hailing from second highest corn producing state in the country, would likely be the most aggressive initially in support of the industry.

Democrats and Republicans are moving toward the same general energy policy -- a pace that may quicken with the average U.S. gasoline price near \$4 a gallon and oil around \$130 a barrel. Both sides want more energy to be produced domestically and more to come from renewable fuels.

"It is a mistake to think that there is a real gulf between these two candidates or these two parties on energy policy," said Jerry Taylor, a fellow at the Cato Institute, a libertarian think-tank in Washington, D.C..

But, he added, Obama would "more aggressively use government" to advance the renewable industry through larger subsidies and more aggressive biofuel mandates.

Obama, from the corn-belt state of Illinois, has pushed ethanol since he was elected to the Senate in 2004. He has pledged higher renewable fuel standards for advanced biofuels such as cellulosic ethanol, building out distribution infrastructure and mandating "flexfuel" for vehicles.

Meanwhile, McCain believes high energy prices should be enough to increase demand for new energy sources. The one-time critic of ethanol now backs incentives to produce the fuel, but generally opposes tariffs on imported ethanol and subsidies that distort the marketplace.

Chad Hart, an agricultural economist with the Center for Agricultural and Rural Development at Iowa State University, said a key difference between the Obama and McCain is how they would treat more mature biofuels.

McCain, he said, would back the cellulosic ethanol credit of \$1.01 a gallon through 2012 in the farm bill that passed last week, while removing a similar credit on corn-based ethanol and allowing it to compete in the marketplace.

The farm bill will cut the tax credit for corn-based ethanol by 6 cents to 45 cents a gallon beginning in 2009.

"Obama would support a full-spectrum from additional corn-based ethanol and soybean-oil based biodiesel all the way up to the new biofuels that are trying to come down the line," said Hart.

The biofuels industry has thrived under George W. Bush as president. The former Texas oil man has worked to increase biofuel production as part of his grander plan to trim the country's dependence on foreign oil imports.

#### UPHILL FIGHT

The new energy bill signed into law last year calls for the production of 9 billion gallons (35 billion liters) of biofuel in 2008 and 10.5 billion gallons next year. The requirement would rise to 36 billion gallons in 2022 - with ethanol supply from corn capped at 15 billion gallons. Obama voted in favor of the Senate energy bill, which passed in June, while McCain did not vote.

Since then, prices for wheat, corn, soybeans and rice have set record highs, generating a rising tide of criticism that using crops to make fuel is driving up world food costs.

A group of 24 Republican senators, including McCain, said earlier this month the Environmental Protection Agency should slow or even drop requirements to use corn-based ethanol to help ease food prices. Ethanol alone is forecast to absorb about a third of the U.S. corn crop in 2008.

Kenneth Green, who studies energy policy at the American Enterprise Institute, said it could be hard for McCain or Obama to see any measurable change on biofuels in the near future. He pointed to the considerable effort to pass the last energy bill and intense opposition from the corn industry as the two key obstacles.

"To change things significantly will be an uphill fight," said Green.

As criticism has grown in recent months, supporters of biofuels have downplayed its impact on higher food costs. The Bush administration and biofuel groups blame high oil prices, increased global food demand and drought for high prices.

The Renewable Fuels Association, which lobbies for the industry, defended the growth of ethanol production as a major factor in keeping gasoline prices lower than they otherwise would be.

"The American public continues to be strongly supportive of growing the renewable fuels industry," said Bob Dinneen, president of the group. "Whatever administration there is, I think they are going to have to reflect the will of the people."

But how the next president deals with biofuels could depend on a host of factors, including the growing food versus fuel debate, efforts to curb greenhouse gas emissions and if food and fuel prices keep rising.

It is unlikely there will be any significant changes in biofuel policy before the election in November, but Bill Leshner, a private Washington, D.C.-area consultant, said the three supports helping corn-based ethanol -- an import tariff, blender credit and biofuels mandate -- could all be revisited next year.

"There are lots of elements yet to unfold, but one way or another I feel that there is too much interest, too much concern about food prices that you would not get some kind of airing of these issues next year," said Leshner. "It's really not Republican or Democrat. It's just not one of those partisan issues."

---

Reuters  
May 30, 2008

## **Global biofuel output to soar in next decade: report**

By Sybille de La Hamaide

PARIS (Reuters) - Global production of biofuels will rise rapidly over the next decade, helped by high government blending targets and subsidies, the OECD and the U.N.'s FAO food agency said in a report published on Thursday.

These rises will boost already soaring world agricultural commodities prices and reduce their availability for food and feed, the Organization for Economic Co-operation and Development and the Food and Agriculture Organization said in co-drafted report.

"With a biofuel output that should more than double over the next 10 years, according to the most conservative estimates, the pressure on agriculture will flare up," Jacques Diouf, head of the Rome-based FAO, told a news conference in Paris.

Global ethanol production was projected to reach about 125 billion liters in 2017, twice the quantity produced last year.

Biodiesel output was set to grow even faster with production forecast at around 24 billion liters by 2017, up from nearly 11 billion at the end of 2007 and less than 1 billion in 2000, the report said.

"Increased blending mandates should stimulate demand and boost international trade in the initial years of the (2008-2017) outlook," the report said.

Biofuels were not blamed directly, as they can increase farmers' revenue both in developing and wealthier economies, but on "distortive" policies in some large producing countries, which encouraged production of fuel-destined crops on land previously devoted to food, they said.

### **ETHANOL TRADE TO GROW**

Biofuels, mainly made of grains, oilseeds and sugar, have been increasingly accused of causing sharp rises in food prices by diverting production away from food and animal feed towards an additive for vehicle fuel.

Protests and riots in many poor countries over high food costs have added urgency to the debate. A sharp rise in biofuels output that would influence food prices could keep the issue high on the international political agenda.

The OECD and FAO stressed that their forecasts did not anticipate changes in the United States and/or European Union policies which widely support the production and use of biofuels through blending targets and tax incentives.

Second generation biofuels, made from domestic and agricultural waste rather than food crops, were not expected to be produced on a commercial basis over the next decade.

Ethanol prices were seen exceeding \$55 per hectolitre in 2009 as crude oil prices rose, but should fall back to levels around \$52-53 per hectolitre later in the 2008-2017 period covered by the report, as production capacity expanded.

International ethanol trade was expected to grow rapidly to reach 6 billion liters in 2010 and almost 10 billion liters by 2017. Most of this trade would originate in Brazil and would be destined for markets in the EU and the United States, it said.

The growth in biodiesel output would occur despite the fact that world prices were expected to remain well above production costs of fossil diesel, within the range of \$104-106 per hectolitre, for most of the projected period.

International trade of biodiesel was seen largely unchanged in following years, notably due to technical constraints in the use of palm-oil based biodiesel in cool climates and as output in the main consuming countries increased.

---

## **Ethanol blends: Renegades' recipe for a cheaper fuel**

By H.J. CUMMINS

Cars not meant to run on ethanol can be damaged by it if you run straight E85. However, I now have a Grand Caravan that has 284k miles on it, and for the past three years (65K miles) I have been running a blend of 12 gallons of unleaded and 3 or 4 gallons of E85. There has been no change detected in my mileage, I have had no problems, none, mechanically. The van runs perfectly, getting a very steady 22 mpg. And of course, I am saving a little money every time I fill up. Lately, more so.

Wally Lutz believes in ethanol, not least because his western Minnesota neighbors grow the corn that goes into the biofuel.

So for three years, Lutz has done his best to put at least half ethanol in his family cars, which aren't meant to be powered by anything but standard gasoline. His commitment meant a stop at a gasoline pump and another at an ethanol pump at his Montevideo Cenex station every time he fueled up.

Managers there noticed a lot of people doing the same, so in March they installed two "blender pumps" that mechanically do the mixing for their customers.

But Lutz -- and certainly many of the other Cenex customers -- are not driving cars with "flex-fuel" engines designed to burn a mixture that's mostly ethanol. And that makes them part of an open secret across Minnesota and much of the Upper Midwest: Growing numbers of drivers are choosing to burn the new fuel in their old cars.

They're taking some risk. They're violating federal clean air law, which forbids anything that compromises a vehicle's emission control system, according to the U.S. Environmental Protection Agency (EPA). They're also voiding manufacturer warranties; carmakers say the more-caustic ethanol damages the fuel systems in old cars.

"That's clear in our owners' manuals," said Kristen Kinley, a Ford Motor Co. spokeswoman.

But as gasoline prices teeter around \$4 a gallon, car owners are looking for savings, and ethanol usually is priced 40 to 60 cents a gallon cheaper because of a federal subsidy. And while ethanol is blamed, in part, for higher grocery prices and increasing concern about global hunger, those drivers have chosen different ethanol politics. Ethanol helps liberate the country from foreign oil, and it burns cleaner than gasoline.

"The carmakers may be worried about it, but I'm not," said Lutz, 77, a retired gas-station operator. "And every gallon of ethanol just makes me feel good that it's not a gallon of imported oil."

Montevideo Cenex credit manager Robin Enevoldsen agreed: "We're just keepin' it local."

In Minnesota, all regular unleaded gas already has 10 percent ethanol -- what's called an e10 blend -- and regular, gasoline-engine cars are not supposed to burn any other blend. Flex-fuel cars and trucks can burn anything up to e85, the highest blend on the market.

Officially, blender pumps -- which offer e20, e30, e50 and e85 mixes -- are intended to give flex-fuel vehicle owners more options. They can calibrate the best blend for their particular vehicles and driving habits -- balancing ethanol's lower price against a drop in fuel economy of as much as 25 percent.

And the pumps are serving that purpose, said Steve Kleespies, service manager at Westmor Industries in Morris, the region's largest blender-pump installer. Kleespies uses one to buy e50 for his 2006 Chevy Avalanche because it's cheaper than gasoline but delivers the same 19 miles per gallon, unlike e85.

But plenty of other drivers also are using the pumps, which have proliferated across Minnesota since the first one in Ortonville last fall. The Minnesota Department of Commerce counts 10 in the state, but Kleespies estimates there are up to 40 in operation or in planning. And they're popular once they're in. At two-day open houses in April, two Cenex stations in Montevideo and Granite Falls sold 1,000 gallons of e50 and nearly 5,000 gallons of e30, according to Enevoldsen.

Many organizations advise against anything above e10 for cars lacking flex-fuel engines. AAA of Minnesota and Iowa disapproves. General Motors, like Ford, said anything above that voids a car's warranty. Even two pro-ethanol groups, the South Dakota-based American Coalition for Ethanol and the National Ethanol Vehicle Coalition in Missouri, said they don't recommend it.

But some research is encouraging such blends. Three studies so far that tested higher ethanol blends in gasoline-burning cars are considered too small to be definitive. But their results showed all emissions below the federal limits, mileage often comparable to gasoline and no fuel system or driveability problems, according to Bruce Jones, director of the Minnesota Center for Automotive Research at Minnesota State University Mankato. Enevoldsen said her two cars get better mileage with e20 than with gasoline.

Resolving compatibility questions for gasoline-burning vehicles soon will become even more important, because ethanol blends are expected to get richer. Minnesota has pledged to raise its regular gas to e20 by 2013, if the EPA grants a necessary waiver. And a new federal mandate to ramp up national ethanol use to 36 billion gallons by 2022 -- up from about 9 billion this year -- "means mid-level blends like e30 and e50 will likely have a

bigger place in the fuel market," said Brian Jennings, executive vice president at the American Coalition for Ethanol.

Ford will address the implications of any such changes as they develop, Kinley said. "The best way to get there [more ethanol use], in GM's opinion, is to sell more flex-fuel vehicles," said spokesman Alan Adler.

The EPA said "misfueling" a car violates the U.S. Clean Air Act and carries a fine of up to \$2,750 for the person doing the misfueling and possibly for the station owner. But a spokeswoman also said she could find no instance when the agency pressed a case. Enevoldsen said her stations are self-service, so it's the car owners, not her employees, who actually pump the ethanol into their fuel tanks.

At Westmor Industries, Kleespies said the blender pumps are clearly marked for flex-fuel vehicles only, "and everybody knows the station owners cannot police what fuels everybody is putting in their cars."

Even Donald Brown, who travels across Minnesota encouraging drivers to burn more ethanol, isn't worried the EPA will knock on his door. Brown, a retired truck driver, goes to gas stations that sell ethanol, and offers a \$1 bill to anyone who will try it. Now 78 and living in Golden Valley, he says he's on a mission to improve the future for generations to come.

"We've got to get away from oil," he said. "It's killing our economy."

---

## **Ethanol backers hail new opening**

---

BRITTANY WESTERBERG

---

The recently passed farm bill should help jump-start the cellulosic ethanol industry in South Dakota, officials say.

A new energy program included in the 2008 farm bill will provide incentives to increase cellulosic ethanol production, which is made from nonedible materials such as wood chips and wild grasses.

The program was the main topic of discussion Thursday at the Cellulosic Ethanol Roundtable, which included Sen. John Thune and renewable fuels industry leaders.

The Biomass Crop Assistance Program, authored by Thune, was part of the farm bill adopted May 22 when Congress overrode a presidential veto. It has several goals, including reducing U.S. dependence on foreign oil, finding ways to get beyond corn-based ethanol to cellulosic ethanol and keeping conservation benefits.

"We're at a very pivotal moment in time for energy security in the United States," said Brian Jennings, executive vice president of the American Coalition for Ethanol. "We could go with the status quo where we're spending a billion dollars a day ... on foreign oil imports, or we can pursue cost-effective, clean-burning, home-grown alternatives like ethanol."

Last week, Jennings said, the U.S. Department of Energy announced that for the first time since 1977, the U.S. will reduce foreign oil imports and that, in part, ethanol is to thank for that reduction.

"If it weren't for ethanol," Thune said, "the studies have said that (gas prices) would be about ... 50 cents a gallon higher."

The new farm bill energy program would include incentives for farmers who agree to grow crops for a local biorefinery, and payments of up to \$45 per ton for two years for collecting and harvesting the materials.

"This creates incredible opportunities for farmers to generate additional income from new products that are now left in the field," said Jeff Broin, chief executive officer of Poet.

Other products that could be harvested and turned into biofuels include sorghum, millet, wheat, oats, barley, grass, hay and even trees, according to Kevin Kephart, vice president for research at South Dakota State University.

Don Endres, CEO of VeraSun Energy, said there is a "chicken and egg" problem with starting up the biofuels industry in South Dakota.

"For an investor to go and invest in this new technology," he said, "they need this assurance that the feed stock is going to be there. [Producers] need assurance there is going to be a market for their crops. This is a great way to bridge that gap."

---

## **Despite high costs, don't sell the ethanol farm yet**

Where's the beef?

The cattle industry again this week voiced concerns that ethanol production is driving up the cost of corn, thus hurting ranchers and feed lots in the pocketbook.

While it's true that the new energy craze has impacted the cost of corn — it has more than doubled since 2006 — it is also generating new industry in Colorado. At least four ethanol plants have sprouted on our Eastern Plains.

We say give the situation more time so the necessary adjustments can be made to the production of ethanol, leveling out its impact.

Ethanol is an alternative fuel source that mixes grain alcohol, predominantly made from corn, with gasoline.

It takes time for a new enterprise to work out the kinks. That's why we continue to encourage the development of other agriculture byproducts, such as wood chips, switchgrass and cornstalks, to produce ethanol.

Ethanol production brings jobs and eases our dependence on oil. This is not to say cattlemen don't have some legitimate concerns.

"The playing field is not balanced," said Terry Fankhauser, executive vice president of the Colorado Cattlemen's Association. The American Jobs Creation Act of 2004 gives ethanol blenders a tax credit and thus the ability to buy corn at higher prices, he points out, adding that "commodities, of which corn is one, have functioned best in the free market."

Fankhauser is eager for the subsidies to be phased out quickly, but they're not scheduled to end until Dec. 31, 2010.

The subsidies are in place to encourage the petroleum industry, not ethanol manufacturers, to use an ethanol blend and pass the savings on to consumers, according to the American Coalition for Ethanol's website. That makes sense to us.

To make up for the higher corn prices, the federal government is offering to let ranchers graze their cattle on land now protected by conservation laws. That too would seem to

make sense, yet we agree with the cattlemen's association that it would be "double-dipping."

If a farmer gets paid to lay fallow his land and then gets to graze cattle there, or cut the hay and sell it, he's making money twice off the land, as Fankhauser points out.

Ethanol production is a conundrum worth chewing on. Gas prices are leaping daily, which increases costs to ship cattle as well as the feed.

Ethanol is one way to ease some of that demand. Using more ag products in the process will be environmentally helpful as well as beneficial to the nation's farmers.

Even Fankhauser acknowledges the economic benefits of ethanol production to the state.

Congress should pay attention to the concerns of the cattlemen, but we believe the plans in place for encouraging ethanol production still make sense.

---

## Farm groups defend use of corn to produce ethanol

Jerry W. Jackson

Using corn to make ethanol fuel is a "minuscule" part of the spark behind soaring food prices, American farm groups said Wednesday.

The American Farm Bureau Federation and representatives of corn farmers, wheat growers and sorghum producers blamed commodity speculators, growing demand for food worldwide, and the rapid run-up in oil and other costs for higher retail prices for bread, milk, beer, rice and other products.

They said opponents of ethanol are using the food issue as a wedge to try to slow the nation's growth in domestic fuel production.

"The last thing we need to do is backslide again," said Tom Buis, president of the National Farmers Union, speaking to reporters in a telephone conference.

Field corn used primarily for livestock feed is the type of corn used for ethanol-fuel production, but that type of corn is not used for fresh corn sales, canned corn, tortillas or other food products, said Ron Litterer, president of the National Corn Growers Association.

"It's not that we're taking corn away from other uses," Litterer said. U.S. corn production has grown to record levels four of the past five years, he noted, and farmers are working overtime to produce more corn for both fuel and food.

Cows that give milk do eat field corn, but the amount of corn needed to produce a gallon of milk is about 20 cents' worth, Litterer said -- hardly enough to account for \$4-a-gallon milk.

Bob Stallman, president of the American Farm Bureau, which represents all types of U.S. farmers, said various international groups "are always looking for someone to blame" for the lack of food and farm development in other parts of the world.

U.S. farmers "are being made the scapegoat," he said, for participating in the nation's effort to reduce reliance on oil from the Middle East, Venezuela and other parts of the world.

Renewable Fuels Association President Bob Dineen, who joined the farm groups for the media conference, agreed that the decent profits U.S. grain farmers are now getting pale in comparison to oil companies' record profits.

"You can't grow [inexpensive] corn at \$4.50 [a gallon for] diesel," Dineen said, noting that the higher cost of fertilizer and diesel fuel for tractors and trucks plays a more significant role in all types of rising food costs.

---

## **Editorial: Ethanol timeout for Texas**

Gov. Rick Perry made the right decision when he came out in opposition to the federal requirement that 9 billion gallons of ethanol must be added to gasoline sold to American motorists.

The nation's lawmakers made a serious mistake when they attempted to reduce America's dependence on foreign oil by providing large subsidies to encourage the production of corn-based ethanol.

At the time, the idea to produce a biofuel that would provide a new source of energy, be better for the environment and cut gasoline costs while importing less foreign oil sounded like a no-brainer.

Instead, the idea backfired on all points.

Perry told the Environmental Protection Agency that the federal ethanol mandate would cost Texans an estimated \$3.6 billion annually in added food costs.

As it has turned out, turning a valuable food crop into a fuel has driven up food prices not only for corn, but also for products made from corn, including beef, pork, poultry, dairy products, most baked products, cereals and food additives.

While the price of food rapidly escalates in part from subsidized corn-based ethanol, scientists also report that the production of ethanol requires more energy than ethanol produces.

In addition, these taxpayer subsidies are producing more pollution.

Obviously, corn-based ethanol has done nothing to reduce the price of gasoline.

Other than make corn growers and ethanol refiners happy, Congress misjudged on all fronts the consequences of pumping federal subsidies into the production of corn-based ethanol.

Certainly the ethanol subsidy has not made Texas cattle, dairy and poultry producers happy.

Perry estimates that if the current mandate continues to push the price of corn to \$8 a bushel from its current \$6, the Texas economy will suffer dramatically.

The price of corn has already tripled since 2004.

Perry has asked the EPA to suspend half the mandate that 9 billion gallons of ethanol must be added to this year's fuel supply.

The EPA was granted authority by Congress to issue waivers to the mandate if unforeseen consequences occur.

That being the case, all sorts of unforeseen consequences have occurred.

U.S. Sen. Kay Bailey Hutchison, R-Texas, also has called on the EPA to freeze ethanol mandates. Other senators, including John, McCain, R-Ariz., also support freezing the ethanol mandates due to their unforeseen consequences.

Congress should increase investment into the research and development of biofuels made from switchgrass, wood chips and other cellulose sources that are not important food crops.

It's too easy to say that Congress members should have known better when they passed the 2005 ethanol mandates or when they increased them last December.

But they should know better by now. Either Congress or the EPA should put the brakes on corn-based ethanol subsidies.

---

## Ethanol plant in Van Wert would aid economy

BY JILL DEWERT

There's no doubt that many Americans are looking for alternative energy sources in response to the rising cost of fuel. What isn't clear - at least across the board - is what that answer is.

"I think there's a lot of discussion about using bio energy - whether that's ethanol, biodiesel, etcetera," said Van Wert County OSU Extension Agent Andy Kleinschmidt. "The upside is that we have the ability to use existing resources and we don't have to import - we can grow it in our backyard."

Kleinschmidt added the other side of the debate is that products like ethanol are somehow raising the cost of food.

"Some people say that ethanol is causing it, others say ethanol has little or nothing to do with it and the cost of oil is causing it. The sides go back and forth," said Kleinschmidt.

Mark Bateman and Nancy Kukay of Van Wert Energy, the company seeking to build an ethanol plant in Van Wert County, are campaigning to educate area citizens about ethanol and the value of agriculture to the community.

"We want to start with agricultural statistics and work into some ethanol statistics and let everybody decide in their minds, in the next six to eight months when I go before the board of zoning, if they want us here or not," said Bateman, who added that the company is currently in an offering with the Ohio SECC, which prohibits discussion of specific details regarding the proposed plant in Van Wert County at this time.

In January of this year, Gov. Ted Strickland signed Executive Order 2007-02 that established an energy adviser to the governor to coordinate the state's efforts to create jobs through becoming a leader in the production of next generation energy. In a press release at that time, Strickland said, "One of the core principles of my Turnaround Ohio plan is to invest in Ohio's strengths. Clearly, energy production is one of those strengths. I am convinced that we can create thousands of good-paying jobs by encouraging next-generation energy production in Ohio including ethanol, clean coal, wind and solar."

Ohio is behind the rest of the states currently producing ethanol, but new plants are popping up, with one being as close as Lima. Bateman contended that a competitor, specifically E85 fuel, is the only thing that will hold down the price of the barrel of oil.

"The price of corn is going up and it's raised the price of food by four percent, but the cost of food has doubled," said Bateman. "It's total energy that's the culprit. A barrel of oil has gone from \$60 dollars to \$135. That reflects through everything out there."

Kukay added, "In the broader sense, we're all wrestling with how to address the energy needs."

Although Ohio isn't the top producer of corn in the nation, it does rank sixth in grain production. Gas stations already use 10 percent ethanol in the gas blends, according to Bateman. That 10 percent alone has to come from somewhere. An ethanol plant in the county would provide a local market for corn.

Although Kleinschmidt could not vouch for every side of the argument, good or bad, he did said a local market is a boon for local agriculture.

"I think any industry that is using an agricultural product - an ethanol plant or new livestock operation, or something else - anything that is using that output of corn and soybeans is good for the agriculture economy by providing an agricultural market," said Kleinschmidt.

Agriculture alone does not provide a vast amount of jobs and ethanol plants historically do not provide as many jobs as some manufacturing facilities. However, Kukay said the benefits of both cannot be ignored. Farmers must buy expensive equipment, fuel, seed, homes and pay taxes.

"We've tended, in Ohio and the country at large, to equate large numbers of jobs with prosperity and growth. The Honda plant would be a good example of bringing in 1,500 jobs. Because no one farm employees that many people, they don't see that as having an economic benefit, but it sure does," said Kukay. "Agriculture is manufacturing in a different sense and still bringing lots of money for the community. It just takes a different way of looking at things."

Kleinschmidt agreed that there is a "tremendous" amount of money wrapped up in agriculture. Looking at gross sales, there is around an \$80 million dollar industry in Van Wert County alone. Not all of that goes back into Van Wert County, but a significant portion does.

"When you have strength in agriculture, that tends to attract other agricultural-related businesses," said Kukay. "It makes the farm implement stores, grain elevators and the local retail places prosperous. In Ohio, when we're having so many economic problems, you have to be able to capitalize on what your strengths is. In Van Wert County, that strength is agriculture right now."

---

## **Ethanol dissenters lack cohesion**

*by Marjorie Korn*

Although the U.S. corn-ethanol policy is now under fire, blamed for contributing to rising commodity prices and worldwide food shortages, the opponents aren't finding it easy to articulate opposition to a policy adopted with widespread political and public support.

Notably, the Grocery Manufacturers Association, which sees corn as food rather than fuel, shies away from publicly advocating specific changes that might directly conflict with the entrenched pro-ethanol forces.

When asked about the GMA's goal, Scott Openshaw, director of communications, responded, "Congress can't impact the weather, can't control growing global demand for food in other parts of the world, oil and gas prices, but they can have an impact on the policy they enacted themselves—the food to fuel mandates.

"We're simply calling on Congress to recognize that, step up and revisit those mandates. Take into consideration the unintended consequences," Openshaw stated.

The GMA is one of the de facto leaders opposing the U.S. ethanol policy, demonstrated by documents posted on the Web site of Sen. Chuck Grassley, a Republican from Iowa and staunch corn-based ethanol supporter, indicating that the association sought out the Washington public relations firm Glover Park Group to launch a full-scale food-before-fuel campaign.

The lobby has been dubbed the "anti-ethanol" camp, something that Openshaw seeks to revise. "We wouldn't characterize our position as anti-ethanol," Openshaw said, "We're concerned food-to-fuel mandates are distorting the market and are having an impact on rising corn prices, there is corn inflation and that is trickling down."

He argued that "the right thing to happen is to have Congress go back, acknowledge the unintended consequences, revisit food-to-fuel mandates, and reconsider them."

He said the organization does not currently offer specific legislative goals, nor does it support or oppose legislation introduced by Texas Sen. Kay Bailey Hutchinson that would freeze the federal biofuel mandate at current levels, instead of increasing it to the currently mandated 36 billion gallons by 2022.

To be sure, not all organizations questioning the ethanol policy are wary about taking firm positions. The National Council of Chain Restaurants has endorsed the Hutchinson bill and is encouraging more senators to co-sponsor it, according to Scott Vincent, vice president of government relations for the NCCR.

The anti-ethanol coalition, according to Harvard University's Kennedy School of Government lecturer David King, is "just starting to feel their oats." There are a myriad of groups involved, including food distributors, restaurant and beverage associations, protein farmers and other special interest groups not affected by high corn prices—like Ducks Unlimited, an organization pushing for more conservation land for water fowl.

"For a broader coalition, it's a challenge to keep everyone on board, so it's necessary to keep the message as general as possible," explains Vincent. "Environmental groups and hunger groups around the world, and various members of the food chain are all speaking with one unified voice that Congress needs to revisit the U.S. biofuels policy—it is a good message, but it is a general message."

The burgeoning lobby has some catching up to do: ethanol producers have had a presence on Capitol Hill ever since the 1970s during the Arab oil embargo when ethanol was seen as a way to ease the U.S. addiction on foreign oil, then in the 1980s through the Clean Air Act. Organizations like the National Corn Growers Association and powerful companies like Illinois-based Archer Daniels Midland Corp., the world's largest ethanol producer, have had three decades to fine-tune that message.

Now forced to defend its position, the ethanol industry contends that attacks on the product are misplaced, and rising oil prices and speculation in the commodity markets are to blame. Proponents also tout ethanol for decreasing gasoline prices and easing U.S. dependence on foreign oil.

As ethanol detractors look to crack Congress's support for ethanol, their demands must get more specific. But because their opposition to ethanol is not unified, it may be more difficult to gain momentum as a coalition.

For instance, proposals being considered among anti-ethanol groups include the elimination of tariffs on ethanol imports, essentially leading to a flood of ethanol from countries like Brazil that produce abundant ethanol, primarily from sugar cane. Also being considered is a push to eliminate the 51 cent tax credit for blending ethanol into gasoline.

Moreover, others may propose eliminating the penalty for farmers who take land out of the U.S. Department of Agriculture's Conservation Reserve Program, thus increasing the amount of tillable land.

But these kinds of proposals may lead to fissures within, as groups like Ducks Unlimited are diametrically opposed to drawing more land from conservation to production.

One issue among ethanol dissenters that has garnered general support is increased funding for cellulosic ethanol, which uses biomass like switchgrass and woodchips instead of corn, to produce ethanol. Organizations like the GMA, NCCR and Ducks Unlimited are not opposed to biofuels; in fact, in an e-mail Neil Shader, spokesman for the organization, wrote, “we are supportive of ethanol sources that allows waterfowl to co-exist with the fuel stocks, like switchgrass.”

This debate, which has reverberated throughout urban and rural America, is ultimately a policy one, and at least some of the major players believe it will be addressed primarily through closed-door lobbying in Washington rather than through public advocacy.

“The only way that the food-before-fuel camp would work is if it’s a broad-based coalition that involves numerous political insiders who understand how Washington works and are willing to take on Archer Daniels Midland Corp.,” surmises King.

---

## Ethanol gets a possible comeback

Bill Visnic

Ethanol - essentially grain alcohol - has been used as a fuel since the birth of the internal-combustion engine. Moving into this century, several carmakers have been promoting ethanol (blended with gasoline) as a way to reduce the nation's dependence on foreign oil and to reduce emissions.

The driving public, however, hasn't warmed to ethanol for a variety of reasons. One bother is that ethanol contains less energy than gasoline.

Blended to run your vehicle's engine in the typical 85 percent ethanol/15 percent gasoline that is known in the fuel industry as "E85," a gallon of E85 has just 70 percent of the energy in a gallon of gasoline. With a full tank of E85, you can only drive about three-quarters as far, meaning you'll have to fill up more often.

Another vexing issue has been the fuel's scanty availability. The National Ethanol Vehicle Coalition says there are some 6 million flex-fuel vehicles - those with engines capable of using either E85, straight gasoline or any mixture of the two - on the road. Yet E85 is available at fewer than 2,000 of the some 170,000 fueling stations in the United States and there are only about 1,400 E85 pumps in the entire country.

But what is ethanol's primary liability? Almost all of the ethanol currently produced in the U.S. comes from corn, and many blame ethanol production for higher food prices. There's plenty of political debate about that point, but it's pretty much agreed that making fuel from an important food crop probably isn't a great long-term strategy. But that may change thanks to an intriguing new effort from an Illinois start-up company called Coskata.

The company produces "cellulosic" ethanol not by distilling corn but by superheating all kinds of waste - including everyday garbage - into a synthetic gas and "feeding" it to special microbes. The patented bacteria feast on the gas and secrete, most conveniently, almost pure ethanol.

Coskata President and CEO William Roe told me just about anything organic can be turned into the synthetic gas his company's hungry microbes feast upon to produce ethanol. Coskata is underway with construction of a small demonstration plant near Pittsburgh, Pa., that will use all manner of waste, such as wood and plant material, not to mention municipal garbage, to produce ethanol.

General Motors, one of the staunchest supporters of ethanol, is excited about Coskata's potential to produce ethanol not from a vital food source but from stuff that usually gets hauled to a landfill. In January, GM announced a partnership with Coskata, and when the demonstration plant begins churning out its cellulosic ethanol later this year, it will fuel vehicles at GM's Proving Grounds in Milford, Mich.

Roe says his ethanol-producing microbes are very efficient, too: a ton of waste material in Coskata's process yields about 100 gallons of ethanol vs. the 67 gallons of ethanol delivered from a ton of corn. And the overall energy required in Coskata's process is a fraction of the energy needed to produce ethanol from corn.

There is a mandate for the nation to annually produce up to 36 billion gallons of renewable fuels by 2022. Although cellulosic ethanol production is only now beginning on a limited commercial scale, there are competitors to Coskata's process. Roe nonetheless thinks cellulosic ethanol production will surpass the entrenched corn-based ethanol.

Happily, there are efforts underway to improve your chances of actually finding ethanol at a gas station. Another startup company, Delaware's Alternative Fuels Distributors, is aiming to construct 1,000 "Go Green Station" convenience stores/filling stations on the East Coast. The Go Green stations, which the company hopes to have up and running by early 2009, will sell only E85 and other "alternative" fuels.

If we can make E85 ethanol for our vehicles from waste, and the industry can make E85 convenient to use, I'll be the first in line for a fuel that, up to now, I was convinced had zero future.

---

## Ethanol: the next generation

by Cara Hetland

Sioux Falls, S.D. — When farmers harvest their corn crop, some of the plant is left behind. But now, there's a clause in the farm bill that encourages farmers to store and transport the stalks and corn cobs.

The idea, promoted by Sen. John Thune, R-SD, will pay farmers to save the byproducts from their corn fields. The material will go to a new generation of ethanol plants that can use the biomass in new biofuel plants.

The BioMass Crop Assistance Program also offers loan guarantees for investors in the new plants. Thune says it alleviates the chicken and egg problems around new technology.

"To get the farmer to grow energy-dedicated crops, to get investment in bio-refineries, the research is a big component," Thune says, "so we can get to where we can commercialize this. And we hope at least the farm bill with the energy title, will facilitate this."

"I believe we are in the prime area of North America for cellulosic feed stock production and therefore where the industry would establish itself."

- *Kevin Kephart*

South Dakota is home to the two largest ethanol producers in the nation.

VeraSun and Poet are both working to develop cellulosic ethanol. Poet plans to open a pilot test plant later this year and will start construction on its first cellulosic plant next year.

There's already plenty of material available for cellulosic production, according to South Dakota State University researcher Kevin Kephart.

"I believe we are in the prime area of North America for cellulosic feed stock production and therefore where the industry would establish itself," he says.

Ethanol supporters believe the corn-based fuel will continue at the same level of production.

But there's growing concern about the percentage of the nation's corn crop that's going for fuel production. The new cellulosic process would give the ethanol industry another way to grow without using more corn.

Another criticism of the ethanol/corn boom is that it's encouraged more farmers to take land out of conservation programs that protect highly erodible land and put it back into crop production.

In South Dakota, 300,000 acres will come out of conservation programs this year, and go back into production. Nationally the number of acres in the Conservation Reserve Program dropped by 2 million acres.

Jack Majeres, with the South Dakota Association of Conservation Districts, says cellulosic ethanol will help protect the environment.

"It's inevitable in some respects, because of the higher grain prices. But again, we need to do all of this under an approved conservation plan so we don't end up damaging our environment in our effort to try and reduce our dependency on foreign oil," Majeres says.

Researchers predict within the next 20 years, technology advances could double crop yields per acre. That would mean more corn and more options to use it for both food and fuel.

But for now, the next generation in ethanol will have to depend on something besides corn kernels.

---

## Undoing America's ethanol mistake

Kay Bailey Hutchison

The Nobel-Prize winning economist Milton Friedman once said, "One of the great mistakes is to judge policies and programs by their intentions rather than their results." When Congress passed legislation to greatly expand America's commitment to biofuels, it intended to create energy independence and protect the environment. But the results have been quite different. America remains equally dependent on foreign sources of energy and new evidence suggests ethanol is causing great harm to the environment. In recent weeks, the correlation between government biofuel mandates and rapidly rising food prices has become undeniable. At a time when the U.S. economy is facing recession, Congress needs to reform its "food-to-fuel" policies and look at alternatives to strengthen energy security.

On December 19, 2007, President Bush signed into law the Energy Independence and Security Act. This legislation had several positive features, including higher fuel standards for cars and greater investment in renewable energies, such as solar power. However, the bill required a huge spike in the biofuel production requirement from 7.5 billion in 2012 to 36 billion gallons in 2022. This was a well-intentioned measure, but it was also impractical. Nearly all our domestic corn and grain supply is needed to meet this mandate, robbing the world of one of its most important sources of food.

We are already seeing the ill effects of this measure. Last year, 25 percent of America's corn crop was diverted to produce ethanol. In 2008, that number will grow to 30-35 percent, and it will soar even higher in the years to come. Furthermore, the trend of farmers supplanting other grains with corn is decreasing the supply of numerous agricultural products. When the supply of those products goes down, the price inevitably goes up. Subsequently, the cost of feeding farm and ranch animals increases and the cost is passed to consumers of beef, poultry, and pork products. Since February 2006, the price of corn, wheat, and soybean has increased by more than 240%. Rising food prices are hitting the pockets of lower-income Americans and people who live on fixed incomes.

While the blame for higher costs shouldn't rest exclusively with biofuels - drought and rising oil costs are contributing factors - the expansion of biofuels has been a major source of the problem. The International Food Policy Research Institute estimates that biofuel production accounts for between one-quarter and one-third of the recent spike in global commodity prices. For the first time in 30 years, food riots are breaking out in many parts of the globe, including major countries such as Mexico, Pakistan, and

Indonesia. The fact that America's energy policies are creating global instability should concern the leaders of both political parties.

Restraining the dangerous effects of artificially inflated demand for ethanol should be an issue that unites both conservatives and progressives. As a recent Time cover story pointed out, biofuel mandates increase greenhouse gasses and create incentives for global deforestation. In the Amazon basin, huge swaths of forest are being cleared to meet the growing hunger for biofuels. In addition, relief organizations are facing gaping shortfalls as the cost of food outpaces their ability to provide aid for the 800 million people who lack food security.

The recent food crisis does not mean we should entirely abandon biofuels. The best way to lower energy prices and reduce our dependence on foreign oil is to accelerate production of all forms of domestic energy. Expanding biofuels, while refusing to take other measures, such as lifting the ban on oil and natural gas production in Alaska and the Outer Continental Shelf, is counterproductive. We should be tapping into a broad portfolio of energy options, including clean coal, nuclear power, and wave energy. The key is increasing energy supply. By taking these measures, we can enable biofuels to be part of the energy solution, instead of contributing to the energy problem.

Congress must take action. I am introducing legislation that will freeze the biofuel mandate at current levels, instead of steadily increasing it through 2022. This is a commonsense measure that will reduce pressure on global food prices and restore balance to America's energy policy.

As the Senate debates this issue, we must remain focused on the facts. At one point, expanding biofuels made sense for America's energy security. But the recent surge in food prices has forced us to adapt. The global demand for energy and food is expected to rise about 50% in the next 20 years, and the U.S. is well-positioned to be a leader in both areas. But that will require a careful, finely tuned approach to America's farm products. By freezing the biofuel mandate at current levels, we will go a long way to achieving that goal.

*Kay Bailey Hutchison is the senior U.S. Senator from Texas and is the Chairman of the Senate Republican Policy Committee.*

---