



DAILY NEWS SUMMARY

Wednesday, June 25, 2008

National

1. World biofuels output to more than double by 2030: EIA

Reuters

<http://www.reuters.com/article/environmentNews/idUSWAT00971820080625>

“Biofuels, including ethanol and biodiesel, will be “an increasingly important source” of global unconventional liquid supplies over the next two decades, the U.S. Energy Information Administration said Wednesday.”

2. VeraSun Puts Ethanol Plant On Hold Amid Margin Squeeze

The Wall Street Journal

http://online.wsj.com/article/SB121439869724703201.html?mod=googlenews_wsj

“VeraSun Energy Corp. said it will delay the startup of an ethanol production facility in North Dakota, the third plant this month the company decided to not open due to volatile market conditions.”

3. Biofuels pushing 30 million into poverty

Reuters

<http://uk.reuters.com/article/latestCrisis/idUKL2432915720080625>

“Biofuels are responsible for 30 percent of the increase in global food prices, pushing 30 million people worldwide into poverty, aid agency Oxfam said in a report on Wednesday. The use of biofuels is soaring as developed countries try to reduce their dependence on imported oil and cut emissions of carbon dioxide, but critics say they have led to a shortage of grain, pushing up commodity prices.”

4. Biofuel use ‘increasing poverty’

BBC News

<http://news.bbc.co.uk/2/hi/europe/7472532.stm>

“The replacement of traditional fuels with biofuels has dragged more than 30 million people worldwide into poverty, an aid agency report says. Oxfam says so-called green policies in developed countries are contributing to the world's soaring food prices, which hit the poor hardest. The group also says biofuels will do nothing to combat climate change.”

Regional

5. Gov. Perry requests waiver from ethanol mandate

San Antonio Business Journal

<http://www.bizjournals.com/sanantonio/stories/2008/06/23/daily17.html>

Summary for Business Journal, Dallas Morning News, Associated Press, Star-Telegram (TX), and the Argus Leader: *“Gov. Perry on Tuesday joined the livestock industry and business leaders from Texas and across the country to ask the U.S. Environmental Protection Agency for a 50 percent waiver from its Renewable Fuel Standards mandate for grain-based ethanol. Perry made his initial waiver request in late April, at which time the EPA granted a comment period to consider the appeal. The comment period ended on Monday.”*

6. Texas Governor Rick Perry’s ethanol stance stirs up backers, foes

The Dallas Morning News

http://www.dallasnews.com/sharedcontent/dws/news/texasouthwest/stories/DN-perry_25bus.State.Edition1.2c6876c.html

7. Texas governor trying to slash ethanol production

Associated Press

<http://ap.google.com/article/ALeqM5ghd0MfBMuklydIdeoji6mqxwdSpgD91GMBOO3>

8. Perry says ethanol mandates should be cut

Star-Telegram (TX)

<http://www.star-telegram.com/business/story/721459.html>

9. Texas governor refuels ethanol fight

Argus Leader (SD)

<http://www.argusleader.com/apps/pbcs.dll/article?AID=/20080625/NEWS/806250317/1003/business>

10. Homemade Ethanol Pump

Bakersfield Now

<http://www.bakersfieldnow.com/news/business/21097939.html>

“Feeling the pinch of rising gas prices could make people skip the gas station and fill up at home. Go to a gas station, and you're paying over \$4.50 a gallon. But at Tom Quinn's house, he pays a fraction of that for fuel. He makes ethanol with his new invention - the EFUEL 100 Micro-fueler. Tom Quinn says ‘Our machine works just like a washing machine. you connect to 220 power, connect water in, water out.’”

11. Ethanol company forges new plans

Bradenton Herald (FL)

<http://www.bradenton.com/business/story/698490.html>

“Bradley Krohn, the man who tried unsuccessfully to build the state's first ethanol plant at Port Manatee, is counting on an alternative energy push by Gov. Charlie Crist to help fuel his newest venture. Krohn, president of Tampa-based United States EnviroFuels LLC, is planning an ethanol storage facility at the Port of Tampa after plans to build an ethanol-producing plant there also failed.”

12. Butterball cites ethanol policy in local job cuts

Rocky Mountain News (CO)

<http://www.rockymountainnews.com/news/2008/jun/24/butterball-cites-ethanol-policy-in-local-job/>

“Butterball LLC said it will cut more than 200 jobs in Colorado this summer in response to the rising cost of turkey feed and government policies that promote corn-based ethanol as a fuel alternative. ‘We've been dealing with the rising cost of grain since 2007,’ said Michael Bliss, a vice president of processing operations for Raleigh, N.C.-based Butterball. ‘It's important Congress go back and re-evaluate ethanol mandates that were put in place.’”

13. Minnesota rides ethanol roller coaster

Minneapolis (MN) Star Tribune

http://www.startribune.com/business/20724754.html?location_refer=Business:highlight
[Modules:3](#)

“It's quashed the ethanol boom of two years ago and left the industry in shambles, with operators postponing building of plants, and even delaying indefinitely the start-up of plants that have recently been completed. A growing chorus of legislators and energy experts in Washington is questioning a new round of federal mandates for ethanol production passed last December and debating suspending them or rolling them back. But in Minnesota, ethanol producers are far more confident about their futures. The state's early start with ethanol -- the first plant opened in 1994 -- means many plants don't have the heavy debt loads of new plants.”

Opinions & Editorials

14. U.S. needs new approach to energy security

Detroit (MI) News

<http://detnews.com/apps/pbcs.dll/article?AID=/20080625/OPINION01/806250316>

U.S. Representative Sander Levin writes an editorial for the News, saying, “Another area of dispute is the role that biofuels will play in our nation's energy mix. Biofuels have come under criticism recently because of the rise in food prices. In fact, most of the run-up in food prices is due to other factors, especially soaring global demand for grain, poor weather and restrictive agricultural policies around the world. The United States cannot afford to close the door on biofuels. The key is to develop the next generation of biofuels, particularly cellulosic ethanol, which is made from nonfood plants like switchgrass, wood chips and agricultural waste.”

Blogs & Websites

15. Biofuel Bean Counters Forget to Count the Beans

The Wall Street Journal Blog

http://blogs.wsj.com/economics/2008/06/25/biofeul-bean-counters-forget-to-count-the-beans/?mod=googlenews_wsj

“In a June 2 speech at a high-level United Nations food-security conference in Rome, U.S. Agriculture Secretary Ed Schafer said that biofuels accounted for only 2% to 3% of this year's expected 43% surge in global food inflation. His report relied on data supplied by Edward Lazear of the Bush administration's Council of Economic Advisers. The problem? It didn't count the impact of biodiesel production, which uses soybeans as its main feedstock, according to USDA chief economist Joseph Glauber. It also didn't count the impact higher soybean prices have had on global food prices.”

16. Talking Energy With a Texas Republican

CNBC.com

<http://www.cnbc.com/id/25348913>

““You would think that Congress would see the light and that we would at least put a freeze on the mandate,” said Sen. Kay Bailey Hutchison, “and let us look at the other forms of alternative fuels to make up the difference and try to get corn prices back in line.” “Unfortunately, however,” the Texas Republican told Cramer today, “remember you’re dealing with Congress.””

17. Penny for your thoughts on...Biofuels

Clay County Democrat (AR)

<http://www.claycountym democrat.com/blogs/1160/entry/19125/>

“Arkansas State Representative Mike Patterson wrote an interesting article in the July 25th edition of the Democrat in which he discussed the state Agriculture Department's disbursement of funds for research and production of biofuels to help spur on what he calls, "Arkansas young but growing effort to develop alternative fuels such as ethanol and bio-diesel."” Article continues to look at possible downside of ethanol and biofuels.

Reuters
June 25, 2008

World biofuels output to more than double by 2030: EIA

By: Tom Doggett; Editing by: John Picinich

WASHINGTON (Reuters) - Biofuels, including ethanol and biodiesel, will be "an increasingly important source" of global unconventional liquid supplies over the next two decades, the U.S. Energy Information Administration said Wednesday.

Global biofuels production was projected to rise from 1.3 million barrels per day in 2010 to 2.7 million bpd in 2030, with the United States accounting for almost half that growth, EIA said in its new long-term forecast.

U.S. biofuels output was expected to grow from 500,000 bpd in 2010 to 1.2 million bpd in 2030, according to the statistical arm of the Department of Energy.

VeraSun Puts Ethanol Plant On Hold Amid Margin Squeeze

By: Donna Kardos

VeraSun Energy Corp. said it will delay the startup of an ethanol production facility in North Dakota, the third plant this month the company decided to not open due to volatile market conditions.

The postponements reflect the immense pressure ethanol producers are under as their margins are squeezed by high corn and natural-gas prices.

"Given the current volatility in the market, we believe that delaying all three of these startups is the prudent decision for the long-term benefit of our company and shareholders," said Chief Executive Don Endres. He noted they won't open until the outlook for ethanol selling prices and overall margins improves, as ethanol is now being sold at a deep discount to unleaded gasoline.

Mr. Endres added, "With oil prices hovering around record levels, there is a tremendous urgency for domestically produced fuel options in our country." He called ethanol a solution that "will continue to have a strategic impact on diversifying our energy needs."

The latest affected facility is in Hankinson, N.D., where construction is expected to be completed by the end of the month. Construction on the other two affected facilities -- in Welcome, Minn., and Hartley, Iowa -- were completed earlier this month. All three have capacity to make 110 million gallons of ethanol a year.

When VeraSun, Brookings, S.D., announced the first two startup delays last week, analysts at Credit Suisse called the move unprecedented and said they expect more plant closings as the industry struggles with lower profits into next year. That could eventually mean higher energy prices for consumers, though it also could help sustain ethanol producers that make it through 2008.

The crisis facing ethanol producers was exacerbated by massive flooding across the central Midwest two weeks ago, which damaged crops and caused corn prices to spike. Cutting production should help tighten the ethanol-market balance as well as raise prices on ethanol and improve earnings and cash flow -- though that could mean more pressure on energy-stressed consumers.

--Ed Welsch contributed to this article.

Reuters
June 25, 2008

Biofuels pushing 30 million into poverty

By: Pete Harrison

BRUSSELS (Reuters) - Biofuels are responsible for 30 percent of the increase in global food prices, pushing 30 million people worldwide into poverty, aid agency Oxfam said in a report on Wednesday.

The use of biofuels is soaring as developed countries try to reduce their dependence on imported oil and cut emissions of carbon dioxide, but critics say they have led to a shortage of grain, pushing up commodity prices.

"Rich countries' demands for more biofuels in their transport fuels are causing spiralling production and food inflation," said Oxfam biofuel policy adviser Rob Bailey, who wrote the report. "Grain reserves are now at an all-time low."

Oxfam called on rich countries to dismantle subsidies for biofuels and reduce import tariffs.

"Rich countries spent up to \$15 billion (7.6 billion pounds) last year supporting biofuels while blocking cheaper Brazilian ethanol, which is far less damaging for global food security," the report said.

The aid agency also urged rich countries to scrap biofuels targets, including European Union plans to get 10 percent of its transport fuel from renewable sources like biofuels by 2020.

The EU plans strict criteria to ensure biofuels do not do more harm than good. Some member states want targets to be conditional on the commercial availability of second-generation biofuels from farm waste, timber waste and domestic waste.

Oxfam estimates that by 2020, CO2 emissions from land-use change in the palm oil sector may have reached over 3.1 billion tonnes, largely as a result of the EU target -- and it would take over 46 years of biofuel use at 2020 levels to repay this "carbon debt".

"Biofuels are taking over agricultural land and forcing farming to expand into lands that are important carbon sinks, like forests and wetlands," the report said. "This triggers the release of carbon from soil and vegetation that will take decades to repay."

Biofuel use 'increasing poverty'

The replacement of traditional fuels with biofuels has dragged more than 30 million people worldwide into poverty, an aid agency report says.

Oxfam says so-called green policies in developed countries are contributing to the world's soaring food prices, which hit the poor hardest.

The group also says biofuels will do nothing to combat climate change.

Its report urges the EU to scrap a target of making 10% of all transport run on renewable resources by 2020.

Oxfam estimates the EU's target could multiply carbon emissions 70-fold by 2020 by changing the use of land.

The report's author, Oxfam's biofuel policy adviser Rob Bailey, criticised rich countries for using subsidies and tax breaks to encourage the use of food crops for alternative sources of energy like ethanol.

"If the fuel value for a crop exceeds its food value, then it will be used for fuel instead," he said.

"Rich countries... are making climate change worse, not better, they are stealing crops and land away from food production, and they are destroying millions of livelihoods in the process."

Opportunity - or crime?

Biofuels are a divisive issue with strong arguments on both sides.

Leaders such as Brazilian President Luiz Inacio Lula da Silva have suggested the biofuel boom provides developing nations with a great opportunity.

He says it creates a profitable export for energy crop producers in Africa, Central America and the Caribbean that could enable them to claw their way out of poverty.

But several aid agencies and analysts have warned of the possible downside of biofuel crop cultivation.

One UN adviser went as far as describing biofuels as a "crime against humanity".

Gov. Perry requests waiver from ethanol mandate

The increasing use of grain-based ethanol for fuel is causing a crisis in the livestock industry, according to a news release from Texas Gov. Rick Perry's office.

Gov. Perry on Tuesday joined the livestock industry and business leaders from Texas and across the country to ask the U.S. Environmental Protection Agency for a 50 percent waiver from its Renewable Fuel Standards mandate for grain-based ethanol. Perry made his initial waiver request in late April, at which time the EPA granted a comment period to consider the appeal. The comment period ended on Monday.

The RFS mandate was established by the federal government in 2005. It was amended last year with the requirement that 9 billion gallons of grain-derived ethanol be blended into the nation's fuel supply this year, almost twice the amount from 2007.

"While I have no doubt this mandate was a well-intentioned effort to move our country toward energy independence, it is doing more harm than good and must be modified before our livestock industry suffers permanent damage," Perry said. "Granting this waiver will provide much needed relief to families, while enabling Texas to continue feeding and fueling the nation."

The vast majority of livestock feed products are corn-based, so the artificial pressure created by the mandate threatens livestock operations, according to the governor's office. In Texas, this industry accounts for roughly \$75 billion of the state's economy. Texas cattle feeders haven't seen profits since June 2007 and small family ranches, which make up two-thirds of Texas cattle producers, face potential bankruptcy, according to the governor's office.

Since Perry's request for the waiver, the price of corn increased from \$5 a bushel to more than \$7 a bushel. They are expected to rise even higher because of the Midwest flooding that damaged farm land as well as because of the mandate.

A partial waiver of the grain-based ethanol mandate is the most efficient way to halt the economic damage instigated by the rising cost of corn and offer relief to the family businesses, Perry said in the statement.

Texas Governor Rick Perry's ethanol stance stirs up backers, foes

By: Dave Michaels

WASHINGTON – Texas Gov. Rick Perry has touched off a new battle over America's use of corn-based ethanol, dividing the powerful agricultural lobby and forcing regulators to grapple with the fuel's impact on food prices.

In April, Mr. Perry asked the federal government to reduce the amount of ethanol that is blended with gasoline. In doing so, he sided with big feedlots that are losing money because of record corn prices. But Mr. Perry also struck a chord with other groups that oppose subsidies, including Citizens Against Government Waste, which is famous for fighting congressional earmarks and endorsed his effort.

Regulators have received more than 15,000 letters about Mr. Perry's request, some through a Web site with ties to the Grocery Manufacturers Association, which opposes ethanol subsidies.

"I don't know if there has been that type of deluge of letters to a federal agency in our history," Mr. Perry told reporters Tuesday in Washington.

Texas groups, including the Texas Cattle Feeders Association, were early opponents of the ethanol mandate, which Congress increased fourfold in 2007.

Current law requires the country to use 9 billion gallons of ethanol in 2009 but allows the U.S. Environmental Protection Agency to waive the mandate if it harms the economy. Mr. Perry wants the agency to cut it in half.

Two politically active Texas businessmen, Jim Schwertner and Lonnie "Bo" Pilgrim, played key roles in petitioning state officials to pursue the waiver, said Ross Wilson, president and chief executive of the Texas Cattle Feeders Association.

Mr. Schwertner, a major donor to Texas Republicans, appeared at Tuesday's news conference and praised Mr. Perry for leading the effort. Mr. Pilgrim, who recently donated \$100,000 to the Republican Governors Association, which Mr. Perry leads, told the EPA that ethanol production is driving up poultry producers' costs an extra \$120 million per week.

"Governor Perry has the wisdom and common sense to understand that corn-based ethanol is destroying the livestock industry as we know it," said Mr. Schwertner, president and chief executive of Capitol Land & Livestock.

Corn now sells for almost \$7.50 a bushel, up from \$2 in 2006. Mr. Perry said the Midwest floods would drive the price higher, although prices have dropped since last week.

The EPA has until July 23 to rule on Mr. Perry's request. A number of influential groups oppose Mr. Perry's campaign, including the National Corn Growers Association, the Renewable Fuels Association, and many lawmakers and governors.

Sen. Pete Domenici, R-N.M., said Tuesday that Mr. Perry overstated the impact of corn ethanol on food prices and predicted his request wouldn't fly at the EPA.

"It's an uphill battle for him because it seems to have a very minor impact on the price of food," Mr. Domenici said.

Mr. Perry also blamed high prices for wreaking havoc on businesses that rely on corn to feed livestock. Sustained high prices could eventually put many meat processors out of business, he said.

"It ultimately will shrink the U.S. cattle herd and lead to higher prices at the meat counter," Mr. Wilson of the cattle feeders group said.

Experts are divided about how much ethanol is to blame for the run-up in corn prices. A report from Texas A&M University's Agricultural and Food Policy Center in April said that high energy prices, not corn, were mostly to blame for rising food prices.

Two studies released Tuesday concluded that corn-based ethanol played a big role in rising food prices.

One study, by Keith Collins, a former chief economist for the U.S. Department of Agriculture, said higher farm-level prices contributed to increased retail food prices, which were up 6.9 percent during the first four months of 2008.

In June, two A&M researchers said the price of gasoline would be even higher without ethanol. The researchers found that repealing the mandate wouldn't have a short-term impact on the amount of ethanol produced.

Mr. Perry said Tuesday that his proposal would reduce diesel prices. He also said he would support eliminating the tax credit for ethanol and lifting the high tariffs on sugar-derived ethanol, which is produced more efficiently in countries such as Brazil.

Associated Press
June 24, 2008

Texas governor trying to slash ethanol production

By: Suzanne Gamboa

WASHINGTON (AP) — Texas Gov. Rick Perry, supported by livestock producers concerned about rising feed prices, stepped up his effort Tuesday to pressure the federal government to cut ethanol production requirements in half.

The Republican governor told a roomful of mostly supporters at the National Press Club that requiring increases in ethanol production and uses of it as motor fuel is "no longer a good idea. It's hurting America. It's hurting our families."

Perry is one of a number of politicians and others who have been calling for a reversal of the Renewable Fuel Standard that Congress approved last year. Opponents of the standard say the push to turn more corn into ethanol is raising food prices and the cost of feed for livestock.

The clamor has elevated as flooding of corn and soybean fields in the Midwest delivered another jolt to already higher grain prices. There are fears that the corn crop, which had risen because of higher demand from developing countries and U.S. ethanol producers, could be smaller because of the floods.

Matt Hartwig, spokesman for the Renewable Fuels Association, said it is too early to speculate on the corn crop. He said farmers already are replanting, and increased global production also should help.

The Environmental Protection Agency will cull through thousands of written comments sent in response to Perry's request for the reduction in mandated ethanol production. The law gives the EPA administrator authority to waive the production requirements after consulting with the Energy and Agriculture secretaries.

Perry's request has drawn cheers and jeers from around the country and throughout the agriculture, alternative fuels and food industries. The issue is splitting the agricultural industry nationally and in his home state, as well as alarming biofuels producers.

Corn and peanut growers want the EPA to reject Perry's request, while dairy and beef producers are lining up behind it. Those opposing Perry's effort say his oil producing state would benefit from a drop in ethanol production because it would have to be replaced with gasoline, further increasing gas prices. But Perry argues his plan would reduce gasoline prices, particularly diesel.

Ralph and Vikki Glosemeyer, hog and cattle farmers from Marthasville, Mo., are among the supporters who sent the EPA written comments. They said they are being "doubly hit" because of low hog prices and "extremely high" prices of corn and soybean meal used to feed their hogs.

"We need your help to survive as do many other small farmers facing the same situation today, the couple said.

But Lawrence Lee Harrison, an executive vice president of Berkshire Biodiesel in Williamstown, Mass., urged the EPA to deny Perry's request. His company is building a \$65 million, 50 million gallon a year biodiesel plant in Pittsfield, Mass., Harrison said.

"The major driver of food price increases is the skyrocketing price of oil," Harrison said.

Lonnie "Bo" Pilgrim, CEO of chicken producer Pilgrim's Pride Corp., told the EPA his company bought more than 320 million bushels of corn and the about 133 million bushels of soybeans for soybean meal last year, about 5.2 percent of the nation's corn used for animal feed and 7.2 percent of the soybean meal that is produced.

Pilgrim is a top donor to Perry. Pilgrim contributed \$216,500 to Perry's campaign from 2004-2007, according to Texans for Public Justice.

The docket number for Texas Gov. Rick Perry's ethanol waiver request is EPA-HQ-OAR-2008-0380.

Perry says ethanol mandates should be cut

By: Maria Recio

WASHINGTON — Gov. Rick Perry took his case for a Texas waiver from corn-based ethanol production to Washington on Tuesday, arguing that the EPA program is driving up food costs by diverting scarce corn to fuel production.

"While I have no doubt this mandate was a well-intentioned effort to move our country toward energy independence, it is doing more harm than good and must be modified before our livestock industry suffers permanent damage," said Perry at a news conference at the National Press Club. "Granting this waiver will provide much-needed relief to families, while enabling Texas to continue feeding and fueling the nation."

Perry, governor of the state that is home to the nation's oil and natural gas industry, asked the Environmental Protection Agency in April for "at least a 50 percent waiver" from its renewable-fuel standards for grain-based ethanol.

The result, he and cattle and chicken producers said at the news conference, would be lower meat prices and even lower diesel prices from freed-up energy production. Renewable-fuels advocates countered that granting the waiver would not significantly lower corn or meat prices.

Perry said that he supported renewable fuels but the ethanol requirement "is no longer a good idea."

"The federal ethanol policy is causing a crisis in our industry," said Jim Schwertner, president of Capitol Land & Livestock in Central Texas.

"We're not anti-ethanol," said Gregg Doud, economist with the National Cattleman's Beef Association. But he said the high corn costs combined with the recent Iowa floods spelled disaster for production.

"This is going to shrink animal-meat protein production, not just in this country but globally."

Corn prices are \$7 a bushel, up from \$5 a bushel in April. Rising fuel prices have also played a role in the higher costs of foods and feedstocks.

But Bob Dinneen, president of the Renewable Fuels Association, disputed the governor's dire outlook.

"Against the backdrop of ever-increasing oil and energy prices, to pull the rug out from beneath the only alternative fuel helping to reduce imports of oil and gasoline today would be a colossal mistake and a betrayal of the public trust," Dinneen said.

"Any slight reduction in the price of corn achieved by a waiver would quickly be erased by the resulting meteoric rise in gasoline, diesel and oil prices."

According to EPA spokeswoman Catherine Milbourn, the 2005 Energy Policy Act included provisions enabling EPA to grant a full or partial waiver if implementation of the fuel standard "would severely harm the economy or environment of a state, region or the entire country, or if EPA determines that there is inadequate domestic supply of renewable fuel."

Texas' current minimum grain-ethanol production required for 2008 is the equivalent of 9 billion gallons.

The EPA has until July 23 to make its decision.

Texas governor refuels ethanol fight

State's small-scale ranchers are suffering, he says

By: Faith Bremner

WASHINGTON - Texas Gov. Rick Perry, flanked by representatives of the livestock and chicken industries, tried Tuesday to refocus blame on Midwestern corn farmers and the ethanol industry for rising food prices.

At a crowded news conference at the National Press Club in Washington, Perry and his supporters tried to restart the food-versus-fuel fight, which has grown quiet recently.

Congress held hearings in May on whether the ethanol industry is mostly responsible for \$7-a-bushel corn, but lately lawmakers have shifted their attention to whether Wall Street speculators are pushing up food and fuel prices.

Perry wanted to make sure Washington doesn't forget that the corn ethanol industry is still causing great pain in his state, which ranks first in the nation for beef production. He came to Washington to promote his request that the Environmental Protection Agency slash the Renewable Fuel Standard by 50 percent nationally. The standard, approved by Congress in December, requires oil companies to blend at least 9 billion gallons of ethanol with their gasoline this year, an amount that will grow to 15 billion gallons by 2012.

South Dakota, the nation's fourth-largest ethanol producer, will be a big beneficiary of the new ethanol mandate.

The EPA's 30-day public comment period for Perry's request closed Monday. The agency is expected to rule July 23.

"If we don't see this mandate reversed, I think the result is going to be even higher food costs for families all over Texas, for that matter, across this nation and around the world," Perry said.

Only two ethanol supporters, both from the Renewable Fuels Association, were in sight at Tuesday's news conference. They handed out news releases arguing that ethanol is helping keep gas prices from rising even higher and that the effect on the livestock industry is a fraction of Texas' \$1.1 trillion economy.

Democratic Sen. Tim Johnson of South Dakota said the nation's energy policy shouldn't be about protecting oil-rich Texas.

"Our nation needs to become energy independent and ethanol is just the first step," Johnson said. "Renewable sources of energy should and will play a more central role in the American economy

as we face oil at more than \$135 a barrel. Let's not blame corn when oil prices have affected every segment of the American economy."

Corn prices jumped 66 percent from April 2007 to April 2008, but other commodities also are getting more expensive. The price of rice is up 122 percent, cotton is up 48 percent, and cocoa is up 37 percent.

Texas is the nation's largest beef-producing state and ranks in the top 10 states in poultry, egg and dairy production. It's also the nation's leading oil and gas producer. The National Petrochemical and Refiners Association opposes the ethanol mandate, but that wasn't on Perry's agenda.

Perry said he's most concerned about the two-thirds of Texas cattle producers who run fewer than 50 head of cattle. Unlike South Dakota livestock producers, who feed their cattle mostly grass and distillers' grain - a byproduct of the ethanol manufacturing process - Texas producers rely heavily on corn-based feed.

"Some of our largest companies may be able to weather this situation we find ourselves in," Perry said. "It's those small- and medium-sized companies I'm most concerned about."

Cattle producers don't dislike corn ethanol, it's the federal mandate they don't like, said Gregg Doud, an economist with the National Cattleman's Beef Association.

"We don't like subsidies," said Doud, although Western cattle ranchers do receive subsidies for grazing their livestock on federal public lands. "All we're asking for from the ethanol industry is the ability to compete on a level playing field for that bushel of corn."

Homemade Ethanol Pump

By: KBAK Reporter2

Feeling the pinch of rising gas prices could make people skip the gas station and fill up at home. Go to a gas station, and you're paying over \$4.50 a gallon. But at Tom Quinn's house, he pays a fraction of that for fuel. He makes ethanol with his new invention - the EFUEL 100 Micro-fueler.

Tom Quinn says "Our machine works just like a washing machine. you connect to 220 power, connect water in, water out." First sugar and yeast is mixed with water and fermented. Over 1-2 days, it's pumped into a distillation column where a vapor of ethanol and water passes through a nanotech membrane - water filters out tiny holes while ethanol continues through an exit port.

Consider you need 12 pounds of sugar, per 1 gallon of ethanol. If sugar stays at 10-cents per pound, producing homemade ethanol costs \$1.20 a gallon. But if you have access to a brewery or a winery's throwaways, producing ethanol from alcohol, will set you back just 10-cents a gallon and a few hours time.

Homemade fuel comes with an upfront cost, The Microfueler's pricetag? - \$10,000. But, you can siphon off a few thousand in tax rebates.

Ethanol company forges new plans

By: Brian Neill

Bradley Krohn, the man who tried unsuccessfully to build the state's first ethanol plant at Port Manatee, is counting on an alternative energy push by Gov. Charlie Crist to help fuel his newest venture.

Krohn, president of Tampa-based United States EnviroFuels LLC, is planning an ethanol storage facility at the Port of Tampa after plans to build an ethanol-producing plant there also failed.

"Currently there's no ethanol produced in the state of Florida," Krohn said. "There's a lack of receiving and storage infrastructure for ethanol in the state of Florida. Because all ethanol needs to be imported either from the Midwest or South America, having the ability to receive, store and distribute ethanol will only serve to help Gov. Crist's plan for the state to use more ethanol."

Crist is expected to sign a new energy law this week that, in part, calls for more ethanol-blended gasoline to be sold in the state.

Krohn was mum on most of the project's details, declining to disclose the cost or planned fuel capacity. He did not have a timeframe for when the project might get underway.

"We've got several parties that are interested in financing the project," he said.

Krohn had planned to build an \$80 million, 40-million-gallon ethanol plant to convert corn to ethanol at Port Manatee.

But Krohn was unable to negotiate a sublease agreement with a Port Manatee tenant. Negotiations came undone in December 2006.

Krohn attempted to construct a similar plant at the Port of Tampa, but became embroiled in a lawsuit with a tenant there, PEL Laboratories. The company conducted environmental testing and claimed U.S. EnviroFuels emissions would skew its results.

The litigation ran through all of 2007 and depleted finances for the project, Krohn said.

PEL Laboratories is no longer a tenant at Port of Tampa, a spokesman confirmed Tuesday.

Though ethanol has been seen as a way to decrease the country's dependence on foreign oil, it has also been controversial because of its primary creation source: corn.

Ethanol has been blamed for driving up food prices, and as a result, its sustainability as a fuel source has been called into question.

Krohn believes much of the criticism is undeserved.

But alternative methods of ethanol production have been touted and Krohn is at the forefront of one of those efforts, too.

Earlier this year, Krohn's company was awarded a \$7 million grant from the Florida Department of Agriculture as part of the agency's "Farm to Fuel" initiative to promote alternative fuels.

The grant will go toward a \$47 million project to construct a 20-million-gallon-per-year ethanol plant in Venus, Fla. Rather than corn, the plant will use sweet sorghum to produce fuel.

"The benefit of sweet sorghum is it's not linked to food use like corn," Krohn said. "It's a much more sustainable process of making ethanol than using corn."

Butterball cites ethanol policy in local job cuts

By: Joanne Kelley

Butterball LLC said it will cut more than 200 jobs in Colorado this summer in response to the rising cost of turkey feed and government policies that promote corn-based ethanol as a fuel alternative.

The work force reduction will take effect in late August, with most of the jobs being eliminated at the processor's Longmont turkey plant and the others at its turkey-growing operations in the Weld County vicinity, the company said.

"We've been dealing with the rising cost of grain since 2007," said Michael Bliss, a vice president of processing operations for Raleigh, N.C.-based Butterball. "It's important Congress go back and re-evaluate ethanol mandates that were put in place."

The company said its feed costs have jumped \$200 million in the past year because of government policies on ethanol production.

"Reducing placement and slaughter operations at the Longmont facility is, sadly, the most economically viable measure our company can take," Butterball CEO Keith Shoemaker said in a statement.

Butterball and other poultry processors have singled out ethanol policy as a culprit, saying it has driven up the price of livestock feed to levels that have eroded profit margins.

The Colorado Corn Growers Association's Mark Sponsler acknowledged that livestock producers face challenges in controlling their costs, particularly after decades of becoming "accustomed to an extremely cheap feed supply."

"There is no doubt it is an uncomfortable time for livestock operators who normally rely on corn for a chief feed ingredient," Sponsler said. "It's important to keep in mind that this (ethanol) is an infant industry. For the most part it's having a very positive effect."

Minnesota rides ethanol roller coaster

By: H.J. Cummins

Back in the salad days of ethanol production, Otter Tail Ag Enterprises raised \$42.2 million in just 10 days to build a plant near Fergus Falls. It was March of 2006, and nearly 900 Minnesota investors -- 60 percent of them farmers -- wanted a piece of the 55 million-gallon plant that opened this past March, chief executive Kelly Longtin said. Just as optimistically, lenders approved the other \$82 million the project needed.

It's not something Longtin would like to float these days, when neither investors nor lenders are as bullish on the biofuel. The recent flooding in Iowa is just the latest in a series of forces shoving ethanol's main ingredient -- corn -- to record high prices that have squeezed if not erased industry profits.

It's quashed the ethanol boom of two years ago and left the industry in shambles, with operators postponing building of plants, and even delaying indefinitely the start-up of plants that have recently been completed. A growing chorus of legislators and energy experts in Washington is questioning a new round of federal mandates for ethanol production passed last December and debating suspending them or rolling them back.

But in Minnesota, ethanol producers are far more confident about their futures. The state's early start with ethanol -- the first plant opened in 1994 -- means many plants don't have the heavy debt loads of new plants. Technology that's making the plants more efficient also is helping them hold on until corn prices fall again, as many expect. And unlike many of the new plants, built by large companies and anonymous investors, most of Minnesota's plants are at least partially owned by farmers, giving the owners a significant hedge.

When corn nears \$8 a bushel -- as it has recently -- their ethanol holdings suffer, but they're making good money on their crop. Or, as they did during the 1996-97 drought, farmers can take a lower price temporarily on their corn to keep their own ethanol plants running, said David Morris, head of the Institute for Local Self-Reliance in Minneapolis.

Last year, 90 percent of the new plants were outside of Minnesota, and 90 percent of them had absentee owners -- not area farmers, Morris said. He estimates that the debt on new plants can add 20 to 30 cents a gallon to costs compared with some of Minnesota's older plants.

"I think you're going to see some companies start to lose money, and then they'll shut themselves down," said Todd Taylor, a renewable fuels attorney at Fredrikson & Byron in Minneapolis. "It won't take out most ethanol plants, but it will affect the weak ones."

The Iowa floods' impact on corn prices is probably more psychological than actual, Taylor said, coming on top of other forces that have been hurting the industry for months: growing demand from places like China and India, the cheap dollar, and the rush of investment speculators to the commodities markets.

The latest financial filing of Granite Falls LLC indicates how the numbers have turned on ethanol producers. It shows a \$7.33 million drop in revenue for the six months ending April 30, to \$43.32 million, compared with the same period last year. Over the same time, costs went up \$5.54 million to \$39.91 million -- with most of the blame going to "significantly higher corn prices," the report said.

Still, the floods also took 400 million gallons of ethanol production offline in Iowa, which could be some boon to Minnesota producers, Taylor said.

Ethanol is a \$3 billion-a-year industry in Minnesota, supporting 11,000 jobs, according to the state Department of Agriculture. This year's production capacity is 730 million gallons; 22 percent of the state's corn crop will go to ethanol.

Waiting for improvement

Of course, Minnesota will still feel some fallout of the current crunch. Agassiz Energy, in Crookston, tried earlier this year to gather the kind of investor support Otter Tail Ag had, but stalled after months of effort and only about \$500,000 in commitments, Agassiz's attorney said.

Brookings, S.D.-based VeraSun last week indefinitely postponed operations at a 110 million-gallon ethanol plant in Welcome, which a spokesman said is "substantially completed" and was originally set to start production this month. Spokesman Michael Lockrem said the company is keeping its 55 Welcome employees on the payroll, and it plans to open the plant when "market conditions improve." VeraSun doesn't disclose capital costs, but industry observers estimate that plants of that size typically cost between \$150 million and \$200 million.

Its Janesville plant, also slated for 110 million gallons a year, is still scheduled -- so far -- to open in the fourth quarter of this year.

Survival depends on keeping costs low. Morris said most Minnesota plants now are somewhere between making 10 cents and losing 10 cents a gallon.

At Otter Tail Ag, one of Longtin's strategies was to start buying corn last October, long before corn -- more than 70 percent of his costs -- approached \$8 a bushel. He declined to talk specifics except to say, "we're sitting pretty good."

At Corn Plus, in Winnebago, general manager Keith Kor said its low debt and constant investment in technologies keep its costs low. One of Minnesota's first ethanol plants, Corn Plus has about 750 member/owners, 80 percent of them farmers, and its capacity is 49 million gallons.

"We are less vulnerable," Kor said.

U.S. needs new approach to energy security

By: U.S. Rep. Sander Levin

Gas prices are too high. Family budgets are squeezed, and business bottom lines are hurt. People are right to demand answers and action.

Some people say commodity traders and speculators are bidding up the price of oil. Others fault the plunging value of the U.S. dollar, the obscene profits of the oil industry, surging demand for oil in China and India, and rising geopolitical tensions in the Middle East. All of these factors contribute to the pain consumers are experiencing at the gas pump.

Some other explanations don't cut the mustard. The executives of the nation's oil companies recently testified that the problem is that too many areas of the United States are closed to drilling. They want Congress to open more offshore areas as well as the Arctic National Wildlife Refuge (ANWR) to oil development. Considering that these oil companies pocketed \$36 billion in profits during the first three months of 2008 alone, this explanation strikes me as a little self-serving, but it is also not supported by the facts.

Vast areas of the United States are already open to drilling. All told, there are 68 million acres of public land and offshore areas that have been leased to the oil and gas companies that are not in production. Despite this huge backlog, the energy companies continue to sit on these leases.

Before opening more public lands to the oil industry, is it too much to ask that they invest some of their record profits to develop the leases they already own?

The House of Representatives will soon debate a bill to require energy companies to demonstrate that they are diligently developing the leases they already hold, or return the leases to the federal government. If we are serious about boosting U.S. energy output, Congress should pass this bill without delay.

Of course, there are areas where we shouldn't drill. A few years ago, some people were calling on Michigan to open the Great Lakes to oil drilling. This idea was rejected. In Alaska, the ANWR is the only portion of the North Slope that is protected from oil exploration and drilling. Are we ready to turn the Great Lakes and the Arctic Refuge over to the oil companies just on the possibility that they might find a few months' worth of oil there?

Another area of dispute is the role that biofuels will play in our nation's energy mix. Biofuels have come under criticism recently because of the rise in food prices. In fact, most of the run-up in food prices is due to other factors, especially soaring global demand for grain, poor weather and restrictive agricultural policies around the world.

The United States cannot afford to close the door on biofuels. The key is to develop the next generation of biofuels, particularly cellulosic ethanol, which is made from nonfood plants like switchgrass, wood chips and agricultural waste.

The first cellulosic ethanol plants are just coming online, but cellulosic ethanol is still more expensive than corn ethanol. Congress recently voted to shift some federal support from corn ethanol to spur the development of advanced biofuels.

There isn't a silver bullet to bolster U.S. energy security, so we need a comprehensive energy strategy that includes energy leasing reform, biofuels, increased efficiency and investment in new technologies. The alternative is to continue the Bush administration's approach of showering energy companies with tax breaks, subsidies, royalty holidays and open access to America's public lands. It's time for a new approach.

U.S. Rep. Sander Levin, D-Royal Oak, is a member of the House Ways and Means Committee.

Biofuel Bean Counters Forget to Count the Beans

By: Lauren Etter

When the president's top bean counters at the Council of Economic Advisers rushed to downplay ethanol's impact on food inflation, they forgot to count the beans.

In a June 2 speech at a high-level United Nations food-security conference in Rome, U.S. Agriculture Secretary Ed Schafer said that biofuels accounted for only 2% to 3% of this year's expected 43% surge in global food inflation. His report relied on data supplied by Edward Lazear of the Bush administration's Council of Economic Advisers.

The problem? It didn't count the impact of biodiesel production, which uses soybeans as its main feedstock, according to USDA chief economist Joseph Glauber. It also didn't count the impact higher soybean prices have had on global food prices.

It turns out that makes a difference. In the past year the price of soybeans, one of America's biggest crops, has soared as more of the beans were used for biodiesel and since fewer acres of beans were planted last year to accommodate more acres of corn for corn-ethanol. Soybeans, soybean oil and soybean meal are ubiquitous in the food chain, found in everything from livestock feed to packaged food to tofu.

Just 10 days after Mr. Schafer's UN testimony, Mr. Glauber testified before the Senate Energy and Natural Resources Committee that biofuels have actually contributed up to 10% of the overall increase in global food prices.

Given that both sets of numbers came from the same administration, which numbers are right? Mr. Glauber said the second set of numbers. He described the CEA data as a "far more limited analysis."

Granted the issue of measuring the total impact biofuels have had on global food prices is tricky at best. Already interest groups are going to war over the issue, armed with their respective studies.

Farm and ethanol groups say biofuels have become a scapegoat for higher food prices, claiming the real culprit is surging oil prices. In their corner: data supplied by the Bush administration.

Livestock and food companies want the U.S. to step off the biofuels accelerator by rolling back government mandates that will require the oil industry to use 9 billion gallons of ethanol this year. In their corner: Keith Collins, Mr. Glauber's predecessor, who recently released a study

funded by Kraft Foods Inc. showing that ethanol is having a bigger impact than the government has acknowledged.

Talking Energy With a Texas Republican

By: Tom Brennan

Ethanol is an experiment gone awry. What was hoped to be a cleaner-burning gasoline has caused more problems than it ever solved.

The demand for the corn used to make ethanol has pushed up food prices across the board. Farmers plant corn instead of wheat to fetch higher prices for their crops. Now there's a wheat shortage. Americans are paying more for their beef, chicken and pork because expensive corn has pushed up livestock-feed costs. (Just ask Tyson Foods or Pilgrim's Pride .)

But has Congress recognized these problems and done anything to correct its own ethanol mandate? No.

"You would think that Congress would see the light and that we would at least put a freeze on the mandate," said Sen. Kay Bailey Hutchison, "and let us look at the other forms of alternative fuels to make up the difference and try to get corn prices back in line."

"Unfortunately, however," the Texas Republican told Cramer today, "remember you're dealing with Congress."

Hutchison has introduced legislation to freeze the biofuels mandate at its present levels, instead of letting it increase steadily through 2022, as the current law stipulates.

Responding to a question about finding a much-needed balance between environmental concerns and the fierce urgency of now when it comes finding new energy sources, Hutchison said the U.S. needs to focus both short and long term.

The search for clean alternative energy is imperative, she said, but for right now we need to maximize the energy we have available to us, even if it's in the form of fossil-burning fuels.

"We've got to get these prices of gasoline down at the pump," Hutchison said. "We've got to get food prices down to help American families and small businesses."

As for the environmentalists that are so concerned about offshore drilling, Hutchison said "it looks like the environmentalist community went to sleep in 1950 and haven't woken up yet."

Technology's come a long way in the past 20 or 30 years – when's the last time you heard of a nuclear accident? – enough that offshore drilling and other "risky" forms of energy development can be done safely, she said, "and that's what we ought to be doing to bring the price down."

“I’m an environmentalist. She makes sense to me,” Cramer said. “I think you should stick with the senator.”

Penny for your thoughts on... Biofuels

Arkansas State Representative Mike Patterson wrote an interesting article in the July 25th edition of the Democrat in which he discussed the state Agriculture Department's disbursement of funds for research and production of biofuels to help spur on what he calls, "Arkansas young but growing effort to develop alternative fuels such as ethanol and bio-diesel." The funds, approximately \$16 million in all, were allocated for alternative fuels development by the 86th General Assembly in 2007.

No doubt there is a lot of excitement generated around the idea that biofuels can reduce our nation's dependence on fossil fuels, but are biofuels all they're cracked up to be? Of course, biofuels offer a number of advantages, not the least of which is the potential to create entirely new opportunities for both state and local economies, particularly for farmers. However, biofuels present several disadvantages as well, some of which may have dire consequences for our future. Consider the following concerns:

Are biofuels really better?

The consumer energy council of America states that, "Ethanol reduces levels of carbon monoxide and other toxic air pollutants. The biomass used for ethanol absorbs carbon dioxide (CO₂) when it is grown, so it adds no net CO₂ to the atmosphere. It can be used to boost the octane in gasoline to prevent engine knocking, and it increases gasoline's lubricity. It also takes only six months to harvest a substantial crop of fuel. Ethanol is an oxygenate that reduces ground-level ozone. Since ethanol can be produced locally, it has the potential to add to the local economy, particularly in the agricultural sector, and help reduce the importation of oil.

"When blended with standard transportation diesel, biodiesel helps to extend the energy capacity of the diesel. Biodiesel can also be used as a home heating oil. Because biodiesel is produced from natural sources, it generally releases as much carbon dioxide as it uses growing. A blend of 20 percent biodiesel will reduce carbon dioxide (CO₂) emissions by 15 percent, and adding biodiesel also reduces the amount of particulates (PM), carbon monoxide (CO), and sulfur dioxide (SO₂) released as emissions. Biodiesel is less combustible than petroleum, making it safer to store and transport. In addition, if biodiesel spills, it is biodegradable and breaks down roughly four times faster than petroleum diesel." However, they also stated that, "Depending on the ethanol/gasoline blend, ethanol may raise levels of nitrogen oxides produced as gasoline emissions. Because of its lower energy content relative to gasoline, ethanol also reduces mileage per gallon. Corn-based ethanol production is energy intensive, and in some instances uses nearly as much energy to produce (including the energy needed for farming and making fertilizers) than it supplies, although new technologies are improving the efficiency of production. Use of biodiesel results in increased levels of harmful nitrogen oxide (NO_x) emissions when used in diesel engines, although not usually in residential heating equipment. Also, in and of itself biodiesel releases the same amount of hydrocarbon (or soluble carbon) emissions when burned

as regular diesel. Furthermore, pure biodiesel has a high "clouding" point, meaning that liquid biodiesel begins to thicken into a solid at low temperatures. Because of its higher clouding point, biodiesel is more difficult to store and transport in cold climates, which adds to its cost."

<http://www.cecarf.org/Programs/Fuels/Fuelfacts/Bio...>

Could demand for biofuels drive up food prices?

A CNSnews release commented, "Environmental groups are backing away from federal biofuel and ethanol mandates. While renewable fuel sources may reduce greenhouse gas emissions they also could raise food costs and cause shortages, critics say.

'We are witnessing the beginning of one of the great tragedies of history,' Lester Brown, president of the Earth Policy Institute, said in a statement. 'The United States, in a misguided effort to reduce its oil insecurity by converting grain into fuel for cars, is generating global food insecurity on a scale never seen before.' "

<http://www.cnsnews.com/ViewNation.asp?Page=/Nation...>

An article by Larry West on About.com quotes, "Replacing only five percent of the nation's diesel consumption with biodiesel would require diverting approximately 60 percent of today's soy crops to biodiesel production," says Matthew Brown, an energy consultant and former energy program director at the National Conference of State Legislatures. "That's bad news for tofu lovers."

<http://environment.about.com/od/fossilfuels/a/biofuels.htm>

Will biofuel production increase pollution through deforestation or increased greenhouse gas emissions?

NationalGeographic.com states, "the study, titled 'Sustainable Bioenergy: A Framework for Decision Makers,' also warns that an unregulated biofuels boom will spawn deforestation, deplete soil nutrients, and undermine food security by monopolizing farmland.

'[T]he rapid growth in first-generation liquid biofuels production will raise agricultural commodity prices and could have negative economic and social effects, particularly on the poor who spend a large share of income on food,' the report says.

'In many parts of the world, such as Southeast Asia, biofuels businesses have already cleared primary forests to plant energy crops such as palm. After fossil fuel use, deforestation is the largest single source of greenhouse gas emissions into the atmosphere.' "

<http://news.nationalgeographic.com/news/2007/05/07...>

Who stands to gain the most from biofuels?

Rodale Institute argues that:

"Protecting ethanol subsidies in the new Energy Bill is a major issue now on the table for ADM's political partners (conspicuously absent has been any major media coverage--between ADM advertisements--of any opposition to ethanol). ADM-formed groups like the Renewable Fuels Association and National Corn Growers continue to stir up plenty of support among farmers for their cause. These groups, along with Daschle et al., make the case that the biofuels market presents an important economic opportunity for family farms. However, the subsidy program cloaked as financial aid to farmers has actually crushed thousands of corn farmers under the foot of ADM and other top agribusiness corporations.

"The most blatant argument against the biofuels industry in its current form, from a sustainability perspective, is that it does not represent good farming. Maximizing profits under a subsidized program dictates large-scale, monocropped farms. This lack of crop integration is a leading cause of soil erosion and invites pests and disease. Heavy fertilization is used to replenish the soil. This leads to non-point source pollution that has been the root of incalculable environmental degradation rendering a vast majority of the waters of the Corn Belt states unsuitable for drinking or swimming. The wanton application of petrochemical pesticides and herbicides is leaving a legacy of toxic and non-biodegradable residue in the watersheds of our amber waves of grain. The seeds for a large majority of the corn and soybeans grown in this country are genetically engineered and are threatening the integrity of the crops throughout the continent."

<http://www.newfarm.org/features/0604/biofuels/inde...>
