



## DAILY NEWS SUMMARY

Thursday, June 26, 2008

### **National**

1. Ethanol mixes finding way into traditional tanks

Associated Press

[http://ap.google.com/article/ALeqM5gsMI9I9xTqtTdZvYwuM2C6fKc\\_zwD91HB4MO0](http://ap.google.com/article/ALeqM5gsMI9I9xTqtTdZvYwuM2C6fKc_zwD91HB4MO0)

*The growing popularity of blender pumps has caught the attention of motorists and the Environmental Protection Agency. "We are aware of this potential misfueling but cannot discuss specific investigations in process," EPA spokeswoman Roxanne Smith said in a written statement. "The EPA is working with industry sectors and states to assure compliance."*

2. Nebraska putting state money in ethanol

Forbes

<http://www.forbes.com/feeds/ap/2008/06/25/ap5154104.html>

*"Growing criticism of ethanol as the energy equivalent of fool's gold hasn't changed state government's shopping habits at car dealerships and fuel pumps. This year the state plans to buy dozens more flex fuel vehicles, which can run on fuel that is 85 percent ethanol. And the state has no plans to tighten an open-ended policy for buying E85 that can lead to higher fuel costs."*

### **Regional**

3. Ethanol pump stickers on way

Tulsa (OK) World

[http://www.tulsaworld.com/business/article.aspx?articleID=20080626\\_49\\_E1\\_hFuelr490763](http://www.tulsaworld.com/business/article.aspx?articleID=20080626_49_E1_hFuelr490763)

*“Beginning next week, Oklahoma stations that sell gasoline blended with ethanol will have to inform their customers that they're getting the mix. Retailers who reject the ethanol content are undertaking their own labeling campaign, too. July 1 is the deadline for placing stickers on pumps that sell the blend. The mixture contains up to 10 percent ethanol, which makes the gasoline cheaper by the gallon and helps wean the nation off of foreign oil, ethanol proponents say.”*

#### 4. Corn puts strain on ethanol

Argus (SD) Leader

<http://www.argusleader.com/apps/pbcs.dll/article?AID=/20080626/NEWS/806260309/1003/BUSINESS>

*“Ethanol companies' activity in the corn market has slowed considerably as prices that were as low as \$2 a bushel two years ago have raced past \$7 and were bounding toward \$7.50 before a downturn late last week. Farmers and ethanol producers hope the U.S. Department of Agriculture can impose order on the unruly market with an acreage report due out at the end of the month.”*

#### 5. Deathanol?

Rocktown (VA) Weekly

[http://www.rocktownweekly.com/news\\_details.php?AID=29498&CHID=1](http://www.rocktownweekly.com/news_details.php?AID=29498&CHID=1)

*“The increased production of ethanol, which can be made from corn, will affect poultry processing companies as well as poultry farmers by driving up the price of feed. Feed makes up 70 percent of the cost of producing a chicken or turkey, Bauhan said. Corn prices per bushel have gone from \$4.60 in December to close to \$8 this month, which will result in more than \$200 million in increased feed costs for Virginia poultry companies this year, based on a normal corn crop, Bauhan said.”*

#### 6. Got a flex fuel vehicle? Now you can fuel up in Muncie with E85

The Star Press (IN)

<http://www.thestarpress.com/apps/pbcs.dll/article?AID=/20080626/NEWS01/806260339/1002>

*The first E85 pump opens at a Muncie gas station. “According to the state department of agriculture's Web site, 103 Indiana gas stations sell E85. As of early 2008, there were about 1,400 gas stations (out of 170,000 total) offering E 85 across the country, according to the Renewable Fuels Association (RFA).”*

## 7. Corn Prices Skyrocket with Drenching Rains and Ethanol Production

KCBD (TX)

[http://www.kcbd.com/Global/story.asp?S=8555987&nav=menu69\\_2\\_9](http://www.kcbd.com/Global/story.asp?S=8555987&nav=menu69_2_9)

*“Flooding has saturated an estimated two million acres of corn and soybean fields in several states. Higher costs of feed and fuel prices are affecting livestock owners. Another reason feed is so high for livestock is ethanol production. Ethanol is made from corn and can be used as motor fuel. Tuesday, Governor Rick Perry was in Washington urging federal lawmakers to cut ethanol production requirements in half.”*

### **Trade Publications**

## 8. Biofuel to More Than Double by 2030

GreenTechMedia

<http://www.greentechmedia.com/articles/biofuel-to-more-than-double-by-2030-1053.html>

*“Despite studies blaming biofuels for a jump in food prices and companies such as VeraSun delaying plant production, the world is expected to produce 2.7 million barrels of biofuel per day in 2030.”*

## 9. Illinois Ag Community Is Divided on Ethanol Policy

Prairie Farmer

<http://prairiefarmer.com/index.aspx?ascxid=fpStory&fpsid=34513&fpstid=2>

*“High grain prices continue to drive a wedge between Illinois grain farmers and pork producers. At the Illinois Agricultural Legislative Roundtable, the Illinois Pork Producers' Association voiced its opposition to current ethanol policy. The comments came after Adam Nielsen, Illinois Farm Bureau director of issue management, discussed the recent showdown between ethanol and the Grocery Manufacturer's Association.”*

### **Opinions & Editorials**

## 10. Blame U.S. ethanol policy for the high cost of food

Phillyburbs.com

<http://www.phillyburbs.com/pb-dyn/news/322-06262008-1554756.html>

*“While a variety of factors have contributed to food price increases, the actions of the U.S. government to promote the production of corn for ethanol cannot be ignored.”*

## **Ethanol mixes finding way into traditional tanks**

By: Elizabeth Dunbar

GRANITE FALLS, Minn. (AP) — To save money and support neighboring farms, Scott Dubbelde began mixing gasoline and cheaper, ethanol-based fuel in his cars years ago, driving first to the gasoline pump, and then to the ethanol pump.

It has worked so well that Dubbelde, who manages a local grain elevator, mixes fuels for all three of his family cars, though only one was designed to handle ethanol-heavy blends.

The practice has caught the attention of the Environmental Protection Agency as a handful of filling stations install pumps that allow drivers to select different ethanol blends with the push of a button.

Auto manufacturers warn that ethanol can corrode fuel lines and damage hoses, seals and the fuel pump in cars not made to carry ethanol. That can lead to bad gas mileage, poor performance and may even affect the vehicle computers that warn of problems.

The EPA says it can damage emission control devices.

Yet with the price for a gallon of gas hitting a string of record highs this year, motorists are paying little heed, even at the risk of voiding their warranties.

"It works good, real good," Dubbelde said of the blends he uses in a Toyota and a Buick, which he improved through a couple years of experimentation. "No 'check engine' light comes on. I don't even think there's a difference in mileage."

The local Cenex gas station installed special blender pumps after managers saw customers mixing their own fuel just like Dubbelde.

Motorists at the station in this western Minnesota town can press a button and fill up with E85, a fuel mixture with up to 85 percent ethanol, or blends varying from 20 percent to 50 percent ethanol. There is little physical difference, except that blending pumps have buttons offering increasing levels of ethanol rather than 87- or 89-octane gas.

Dubbelde pumped E30 into his Buick Rendezvous SUV. He uses E20 in the family's Toyota Avalon and pumps up to 85 percent ethanol into his flexible-fuel pickup truck.

The savings at the pump are real. While regular gas was \$3.93 a gallon at Cenex recently, E85 was going for \$3.23. E20 was \$3.81, E30 was \$3.71 and E50 was \$3.52 — and that was before the 20-cent-per-gallon discount Cenex offered for ethanol blends 20 percent and up as part of a special promotion that day.

In some Midwestern states, E85 can be as much as a dollar cheaper per gallon than gasoline.

A few dozen gas stations in at least four states — Minnesota, Wisconsin, South Dakota and Kansas — have the new blender pumps. More stations are beginning to ask about them.

Since two Cenex gas stations in Granite Falls and nearby Montevideo installed pumps in late March, overall ethanol sales at the stations have doubled, said Robin Enevoldsen, who manages promotions for the stores.

"At first we were seeing just basic, die-hard ethanol promoters and supporters using them," Enevoldsen said. "Now we see a large percentage of our community using them."

Ethanol advocates acknowledge that there is some misuse of the fuel.

"What an individual does is very difficult to control at the point of sale," said Tim Gerlach, assistant executive director for the Minnesota Corn Growers Association. "I think any retailer will tell you that misfueling is not an uncommon occurrence."

That concerns automakers, who say owners of conventional vehicles are putting their vehicle components and their warranties at risk.

The Alliance of Auto Manufacturers fears new blender pumps will confuse drivers, spokesman Charles Territo said.

"The best way to expand ethanol use is to expand the number of gas stations that offer E85 and not through the use of midlevel blends that could damage conventional vehicles," Territo said.

The EPA said that using blends that contain more than 10 percent ethanol in conventional vehicles could actually increase emissions and therefore violates the Clean Air Act.

"We are aware of this potential misfueling but cannot discuss specific investigations in process," EPA spokeswoman Roxanne Smith said in a written statement. "The EPA is working with industry sectors and states to assure compliance."

Robert White, of the Ethanol Promotion and Information Council, predicts demand for blender pumps will continue to rise. The Omaha, Neb.-based group offers \$5,000 grants

to encourage more gas stations in South Dakota to bring blender pumps on line. The South Dakota Corn Utilization Council and the ethanol industry are paying for the grants.

"The premise behind it is offering consumers a choice, because they're screaming for it," White said.

Advocates cite studies showing that vehicles can do just as well on 20 percent or 30 percent ethanol as they do with 10 percent.

Gas mileage decreased very little on midlevel ethanol blends compared with gasoline containing 10 percent ethanol — the standard fuel in Minnesota — and the car's components seemed to handle the fuel fine, said Bruce Jones, a researcher at Minnesota State University, Mankato, who has helped lead the studies. Even on flexible-fuel vehicles, gas mileage was often better with a lower grade of ethanol than E85.

Jones, a professor who directs the Minnesota Center for Automotive Research, says more study is needed on ethanol blends, including on emissions. But from what he's seen, he's confident that states like Minnesota will be able to move ahead with plans to eventually mandate 20 percent ethanol in all gasoline sold.

General Motors Corp., Ford Motor Co. and the Chrysler Group have pledged to double production of flexible-fuel vehicles by 2010, and there are also efforts to put flexible-fuel hybrid-electric vehicles on the market.

In rural Minnesota, where daily corn and soybean prices are read over the radio and grain silos far outnumber Toyota Priuses, motorists are not waiting.

"The word is starting to get around," said Rodney Gaffney, a Yellow Medicine County farmer who puts ethanol blends in his flexible-fuel pickup truck and occasionally in his '97 Buick Park Avenue. "We need to keep the money in rural America instead of overseas."

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## Nebraska putting state money in ethanol

By: Nate Jenkins

LINCOLN, Neb. - Growing criticism of ethanol as the energy equivalent of fool's gold hasn't changed state government's shopping habits at car dealerships and fuel pumps.

This year the state plans to buy dozens more flex fuel vehicles, which can run on fuel that is 85 percent ethanol. And the state has no plans to tighten an open-ended policy for buying E85 that can lead to higher fuel costs.

Nebraska is the second-largest ethanol producer in the country behind Iowa. The ethanol industry enjoys strong backing from key political players including Gov. Dave Heineman and the state's large agriculture groups.

But public skepticism of ethanol is on the rise as consumers feel the pinch of rising food and gas prices. Some studies say ethanol does little to lower gas prices and raises food prices significantly by siphoning grain away from food and livestock production and reducing the number of acres planted with other food crops.

Other studies say its impact on food prices is minimal, and supporters say its use is an important step toward the goal of reducing reliance on foreign oil and an important aspect of rural economic health.

Outside the war of words over ethanol's viability as an energy alternative are figures that could give Nebraska taxpayers pause: It sometimes costs more for state employees to fill up state-owned flex fuel cars with E85 instead of E10 or regular gasoline.

The state policy is for employees to fill up their state-owned flex fuel cars with E85 "whenever practical."

"I think we ought to revisit the policy," said state Sen. John Wightman of Lexington.

E85 contains significantly less energy than regular gasoline. The U.S. Environmental Protection Agency estimates flex-fuel vehicles get 20 percent to 30 percent fewer miles per gallon when using E85.

That means the E85 price must be significantly lower for its purchase to save the state some money. Assuming a car gets 24 percent fewer miles per gallon using E85, for example, the per-gallon price of E85 would have to be roughly 90 cents cheaper than regular for drivers not to lose money using the blend.

In recent weeks, E85 has cost between 70 cents to 80 cents less per gallon than regular in Nebraska, according to E85Prices.com, a Web site that tracks E85 prices.

A state agency that buys many of the cars used by government employees doesn't tell them at what price it doesn't make sense to buy E85.

"As long as E85 is cheaper ... that's the measurement," said Steve Sulek, administrator of the state's Transportation Services Bureau. It buys vehicles that it then leases to state agencies.

State employees are required to buy E10 when E85 isn't available or practical to buy.

Though it also provides less gas mileage than regular gas, E10 generally costs several cents less than regular gasoline, making up for the lower energy content.

"There's nothing black and white" dictating when employees should buy E85, said Carlos Castillo, director of the state's Department of Administrative Services, which includes the Transportation Services Bureau.

"In general we've told employees to use common sense."

Sulek and Castillo said one reason they don't have price guidelines for employees is that gas mileage can vary depending on factors including where and how cars are driven. Also, Sulek said that using E85 helps improve air quality and is a step toward reducing dependence on foreign oil.

But one state agency prefers to focus more on whether buying E85 makes financial sense.

"We tell people to watch the price, and if it's not 60 to 70 cents cheaper, don't do it," said Tom Sands, operations manager for the Department of Roads.

"Unless it's 60 to 70 cents cheaper, why would you?"

Thirty percent of the 1,550 vehicles in the Department of Roads' fleet are flex fuel. But last year, just 7,000 gallons of the 800,000 gallons of gas bought by the department was E85.

About 102,000 gallons of the 720,000 gallons purchased for Transportation Services Bureau vehicles was E85, according to Sulek.

Roughly half of those E85 gallons were pumped from state-operated fuel stations. The state buys the E85 in bulk at a lower price.

As a general rule, E85 is only purchased in bulk when it is at least 50 cents cheaper per gallon than E10, Sulek said.

When it comes to buying vehicles, officials with both the Department of Transportation and Transportation Services Bureau say they don't buy flex fuel vehicles unless they cost the same or less than similar vehicles that do not run on E85.

Of the Transportation Services Bureau's 1,050 vehicle-fleet, nearly 40 percent are flex fuel cars. This year, it plans to buy 85 flex fuel vehicles - 70 percent of the total number of vehicles it plans to buy this year.

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## Ethanol pump stickers on way

By: Rod Walton

Fuel retailers disagree on aspects of blended gasoline.

Beginning next week, Oklahoma stations that sell gasoline blended with ethanol will have to inform their customers that they're getting the mix. Retailers who reject the ethanol content are undertaking their own labeling campaign, too.

July 1 is the deadline for placing stickers on pumps that sell the blend. The mixture contains up to 10 percent ethanol, which makes the gasoline cheaper by the gallon and helps wean the nation off of foreign oil, ethanol proponents say.

"We're in the process of putting them up now," said QuikTrip Corp. spokesman Michael Thornbrugh, whose convenience-store chain has been using the E10 blend since last September. "We're glad the state is letting us put them up."

Ethanol-blended gasoline is 7 cents to 10 cents cheaper per gallon and cleaner for the engine, the QuikTrip spokesman added. High gasoline prices and the competitive nature of the retail market are pushing more and more stores into using the blend, he said.

"It's an economic mandate: if you're not using E10 right now and have a competitor who is, you're getting pounded," Thornbrugh said.

Not everyone agrees about who is taking the hit. Ken Bippus, who owns the Southland Service Center station at 41st Street and Yale Avenue, is making a public point of not selling the ethanol mix at his pumps.

In fact, Bippus' Shell-brand station has its own banner outside indicating that it sells "real gas." He's having to charge about \$3.95 per gallon instead of the \$3.79 seen Wednesday at many QuikTrip stores in Tulsa, but he believes the difference is more than sticker deep.

"I know what ethanol does to vehicles," Bippus said. "I will not sell it."

Ethanol's perceived drawbacks include corrosive action that plugs fuel filters and damages spark plugs. Vehicles using it also get fewer miles per gallon, he said.

"Most people don't check their gas mileage," Bippus said. "They're sliding something under people's eyes."

AAA Oklahoma spokesman Chuck Mai said his organization pushed the labeling after getting calls from members who noticed their mileage going down over the past year. The Legislature approved the labeling requirement and Gov. Brad Henry signed it in May.

AAA is neutral on the ethanol debate, seeing pluses and minuses with its usage, Mai indicated. A big plus is taking a step toward using less fuel from foreign suppliers.

At the same time, corn-based ethanol burns hotter but definitely delivers less fuel efficiency — sometimes as much as 15 percent less per gallon, he said.

"You need to run some tests yourself and decide if the savings is worth it," Mai said.

Ethanol is cheaper only because of multibillion-dollar federal subsidies for corn, detractors point out.

Some ethanol opponents also question whether an integral part of the food supply — corn — should be earmarked, so to speak, for fuel use.

Either way, Mai added, gas stations need to be telling customers whether they're getting pure gasoline or ethanol blends. Whether the new fuel is good or bad for engines is up for debate, but vehicles built prior to 1985 definitely should not be burn ethanol, he confirmed.

QuikTrip's Thornbrugh takes issue with the contention that ethanol is bad for current automobiles.

"Why would we be selling something like that when we've guaranteed every drop," he said. "Ethanol does clean your engine."

Bippus and several fellow station owners are posting the "we sell real gas" signs partially to explain why their prices are higher and also to make what they contend is a more important point.

"It's not good for your vehicle," he said.

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## **Corn puts strain on ethanol**

### **High prices, uncertain future put some plants on hold**

By: Peter Harriman

Ethanol companies' activity in the corn market has slowed considerably as prices that were as low as \$2 a bushel two years ago have raced past \$7 and were bounding toward \$7.50 before a downturn late last week.

Farmers and ethanol producers hope the U.S. Department of Agriculture can impose order on the unruly market with an acreage report due out at the end of the month.

It should give a clearer indication about the amount of corn available this year after floods in Corn Belt states such as Iowa and Illinois.

In the meantime, sky-high corn prices and lagging ethanol prices are leaving farmers and ethanol producers scratching their heads.

Because it bought a lot of corn early this year, one of the nation's largest ethanol producers, Poet Biorefining of Sioux Falls, has enough under contract to supply its plants this summer, according to Jeff Lutt, executive vice president for corporate operations.

"We were pretty aggressive buyers earlier this year. With that, we may not be as active a buyer today as 60 days ago," Lutt said.

Nonetheless, Poet still is buying corn, and it has continued production at all of its 23 plants. They have the capacity to produce 1.3 billion gallons annually.

"With what we know today, we are still able to operate in a market that, while it has gotten more challenging, is still sustainable for us," Lutt said.

Because ethanol prices, while trending upward, have not kept pace with corn prices, another major producer, VeraSun Energy of Brookings, has delayed bringing three new plants on line in North Dakota, Minnesota and Iowa. The company announced Wednesday the delay in opening its 110 million-gallon-per-year plant in Hankinson, N.D.

While VeraSun has the capacity to produce 1.3 billion gallons in its 14 ethanol plants, new ones set to come on line "are in potentially the worst position. They are opening their doors as the state of this industry long term is going to be determined by a crop

that is unknown at this point," said Robert White, operations director of the Ethanol Promotions and Information Council.

Dave Fremark, a Miller area farmer, also notes that nationwide, the number of cattle and hogs on feed is declining. Overall, "corn usage is slowing," he said.

Waiting for report

So far, such retrenchment in ethanol and livestock industries has not had much effect on corn prices, White said.

"The crop report is due out next Monday. A lot of the story will be told then," he said.

But Alan May, grain marketing specialist for South Dakota State University, says even when the report is made public, it will take corn buyers and sellers awhile to get their arms around the narrative.

"This market may take a number of turns trying to digest the final acreage numbers to determine whether the flooding in Iowa and other locations is fully accounted for in the report," May wrote in a weekly corn market review June 19. Also, while indicators are bullish, "this is a market that is heavily invested with speculative money and will be subject to some vigorous profit-taking from time to time," May added.

"It is important to watch this market closely to make sure that you don't assume that the only direction is higher," he said.

Lisa Richardson, executive director of the South Dakota Corn Growers, also points out 1993 was the last time there was significant flooding in Iowa. That was before genetically engineered crop varieties with improved disease resistance, stand characteristics and resistance to herbicides that makes for better weed control.

Because of that, a soggy Iowa crop might be able to recover better than expected, she said.

Add to that questions about corn export opportunities as information about the crop in other corn-growing regions of the world streams in, and "we will have more uncertainty out there," she said. "At the end of the day, we don't know."

Corn uncertainty

That's not good for Fremark. Uncertainty is not what he needs.

On average, he grows 3,000 acres of corn, produces calves from a 900-cow herd and feeds 6,000 head of cattle. He also has equity in the Glacial Lakes ethanol plants.

"I need to lock in the cost (of feed) on the next bunch of cattle I plan to bring on next fall," Fremark said.

Because corn prices in areas with ethanol plants are driven by purchases from those plants, Fremark hopes to get some indication of future corn costs from the South Dakota ethanol industry. So far, "I can't do that," he said. "I can't get a fix on the ethanol plant."

Poet has no strategic plans to make a murky view of local corn prices even muddier by importing corn to South Dakota or exporting South Dakota corn to plants in other states.

"We don't do that as a practice," Lutt said. "Before we locate a facility, we do a comprehensive corn supply analysis. ... We really believe in local supply serving the local facility," he said.

Like May, Richardson thinks the corn market is flush with speculators looking for a place to make a buck.

"The stock market doesn't look good," she said. "Commodities do look good," and she notes both soybeans and wheat, like corn, are at record highs.

Even with this gold rush mentality, though, there has to be some ceiling, doesn't there?

Fremark hopes he's found it.

"I don't think anybody is betting on \$8 corn," he said.

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## Deathanol?

### Poultry Industry Says Mandate For Corn-Based Fuel's A 'Killer'

By: Kate Prahlad

HARRISONBURG - The poultry industry is facing a "silent killer."

"It's the worst crisis since the avian influenza outbreak in 2002," said Hobey Bauhan, president of the Virginia Poultry Federation. "I think this is as every bit devastating or more, yet it's more of a silent killer in a way."

Bauhan isn't talking about a disease outbreak, but rather a federal act that mandates a minimum of 15 billion gallons of grain-based ethanol to be used in fuel blends by 2015, a "renewable-fuel standard" that is set to increase over time.

One study commissioned by the federation estimated that the ethanol program will cost Virginia consumers \$455 million more than last year in increased corn prices.

An unfortunate impact, Bauhan said, but one that is only beginning to be felt and understood.

"People are feeling [the rise in corn prices] now more at the grocery store," Bauhan said. "It's becoming more and more apparent and evident [what kind of effect the ethanol mandates are having]."

#### The Cost of Feed

The increased production of ethanol, which can be made from corn, will affect poultry processing companies as well as poultry farmers by driving up the price of feed. Feed makes up 70 percent of the cost of producing a chicken or turkey, Bauhan said.

Corn prices per bushel have gone from \$4.60 in December to close to \$8 this month, which will result in more than \$200 million in increased feed costs for Virginia poultry companies this year, based on a normal corn crop, Bauhan said.

Add to that the very real prospect of a corn shortage from the flooding in the Midwest, and that figure could be substantially higher, he said, all of which hurts consumers down the line.

"Corn costs have tripled in the last two years, and the industry cannot sustain those without passing them on to its customers," Bauhan said. "Consumers are seeing and will continue to see higher prices."

This is hurting production at places like Pilgrim's Pride, which has a plant in Broadway, and has cut back egg placements by 5 percent with the advent of \$7.50 corn bushels, said Ray Atkinson, director of corporate communications for the national poultry company.

Pilgrim's Pride also has let go 1,100 of its 54,000 employees and closed a plant in North Carolina earlier this year.

"What that [mandate] means is that companies can't produce at the same price as before, and raising prices hasn't come all the way through the cycle yet," he said.

Atkinson added that although there are a number of factors leading to high grain prices - including world demand, weather events and fuel prices - the ethanol mandate is the only thing created by the government. Similarly, the mandate is the only thing lawmakers can change.

"Our tax dollars are having the effect of raising food prices and not really lowering energy prices," Atkinson said.

### Supply and Demand

What the ethanol mandates have done to the price of corn stems from a simple economic theory, both Atkinson and Bauhan said: supply and demand.

"It's analogous to taking \$4 gas and then saying we need to take one-third of the gas to use for something else. The timing is horrible," Atkinson said. "It's too big of a slice of the food supply to take it out and pretend like it's not having an effect on food prices."

About a third of the corn crop is slated to become ethanol this year, Bauhan said.

"We're not opposed to ethanol per se, but it doesn't make sense to have food and energy forced by federal mandates to compete with each other," he said.

But farmers who grow corn for ethanol have an attractive offer, according to the FarmEcon study: More farmers are turning to corn for ethanol due to tax credits, subsidies and import tariffs, and the price of corn has been indirectly inflated by a guaranteed market.

The ethanol market "ought to swim on its own," Bauhan said. "We don't have a guaranteed market for our products. It's an unfair playing field."

### An 'Immediate' Solution

With the skyrocketing use of ethanol, poultry industry concerns in the initial stages of the mandate were drowned out, Bauhan said.

But now those voices are coming to the forefront.

Recently, Texas Gov. Rick Perry filed a petition with the U.S. Environmental Protection Agency for a 50 percent waiver from the ethanol mandates, should "severe economic harm" come about, Bauhan said.

"That's clearly coming about," he said.

The National Chicken Council added comments to Perry's waiver petition, saying in a press release that the economic damage from the mandates would raise the price of eggs, pork, milk, chicken and beef an average of 80 percent between 2008 and 2012, as compared to 2002-06.

The comment period for the proposed waiver ended Monday, and the EPA is expected to make a decision later in the summer.

To Bauhan, that couldn't come sooner: The waiver request, done on a year-to-year basis, represents "the most immediate means available to realistically take the government's foot off the accelerator of the ethanol policy diverting food to fuel," he said.

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## **Got a flex fuel vehicle? Now you can fuel up in Muncie with E85**

By SETH SLABAUGH

MUNCIE -- Retired tool maker Max Brown turned in to the McClure gas station in northeast Muncie on Wednesday after spotting a sign advertising E85 for \$3.49 a gallon.

"This is 50 cents a gallon cheaper than gas," the Eaton resident said after pumping 15 gallons of E 85 into his GMC Yukon XL.

Is it true that vehicles fueled by E85 -- a blend of 85 percent ethanol and 15 percent gasoline -- obtain less mileage compared to gasoline? Brown was asked.

"I couldn't tell you," he said. "I'm going to see how this works. I didn't notice that much difference when I bought it in Texas. We winter in Texas. This is the first time I've found it up here."

McClure's is the first gas station in Muncie to sell E85.

According to the state department of agriculture's Web site, 103 Indiana gas stations sell E85.

As of early 2008, there were about 1,400 gas stations (out of 170,000 total) offering E 85 across the country, according to the Renewable Fuels Association (RFA).

Also nationally, there are more than six million flexible-fuel vehicles on the road like Brown's Yukon that can run on E85 or gasoline.

"There seems to be a lot of demand for E85, especially as the prices on straight... gasoline have escalated," said Ed McClure of Marion-based McClure Oil Corp. "The price difference between the two products is substantial."

And the difference could grow.

"You might see the price of gasoline escalate back to \$4.19 -- the highest level ever in the state of Indiana -- or higher," McClure said. "As those developments happen, you might see a wider spread between those two products."

Because not every vehicle can run on E85, "It's more of a specialty product," McClure said. "But as newer vehicles are put on the road, there will be more and more of a market for it."

Most flex-fuel-vehicle owners' manuals tell E85 users to expect to obtain 70 percent of the mileage of gasoline, according to McClure. "But I presume that can be affected by the way you drive," he added.

"The number I've heard is 75 percent as good a mileage," said Rod Huffman, general sales manager at American Chevrolet of Muncie.

"I've been saying 80 percent, depending on how you drive," said grain farmer Joe Russell, vice president of Delaware County Farm Bureau.

He added: "Without ethanol, you'd be paying 30 cents to 50 cents more for a gallon of gasoline. Plus, ethanol is a cleaner burning fuel. Plus, it's local. Plus, it's weaning us off foreign oil. And I know American auto makers are really pursuing it more than foreign auto makers, which should be an advantage to the American autoworker. American-grown fuel for American-made cars. Who can argue with that?"

RFA, the voice of the ethanol industry, agrees that ethanol has less energy content than gasoline. However, E85 also has a much higher octane (ranging from 96 to 105) than gasoline. Flex-fuel vehicles will experience a 10 percent to 15 percent drop in fuel economy, according to RFA. That will vary based on the way one drives, the air pressure in the tires, and additional driving conditions.

For comparison purposes, aggressive driving habits can result in a 20-percent loss and low tire pressure can reduce mileage by six percent, according to RFA.

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KCBD (TX)  
June 25, 2008

## **Corn Prices Skyrocket with Drenching Rains and Ethanol Production**

Flooding has saturated an estimated two million acres of corn and soybean fields in several states. Higher costs of feed and fuel prices are affecting livestock owners.

"The impact it may have on Texas - is Texas imports alot of corn from the midwest that comes in as livestock feed," said David Gibson, Corn Producers of Texas. "And of course if supply is tighter that usually drops prices up higher, and so the livestock sector may see some impact from that and in turn that spills out into increased cost."

Another reason feed is so high for livestock is ethanol production. Ethanol is made from corn and can be used as motor fuel. Tuesday, Governor Rick Perry was in Washington urging federal lawmakers to cut ethanol production requirements in half.

"Although ethanol and renewable fuel standard mandate looked like a good idea 5 years ago, its no longer a good idea. It's hurting America, it's hurting our families," said Perry. "The reasonable position from my perspective would be to say, you know what; although we did support that in the past, it's different times, it's different situations, and we do think that reducing that mandate by at least fifty percent is the right thing to do."

The Environmental Protection Agency must review the request and consult with the energy and agriculture secretaries before making a decision.

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## **Biofuel to More Than Double by 2030**

**Despite studies blaming biofuels for a jump in food prices and companies such as VeraSun delaying plant production, the world is expected to produce 2.7 million barrels of biofuel per day in 2030.**

By: Rachel Barron

Global biofuel production is expected to rise from 1.3 million barrels per day in 2010 to 2.7 million barrels per day in 2030, according to the latest U.S. Energy Information Administration forecast released Wednesday.

But other biofuel-related news that also broke Wednesday indicates that more than doubling the world's biofuel supply in 20 years won't be easy.

Oxfam International, a global nonprofit focused on reducing poverty, fanned the flames of the food vs. fuel debate with a study blaming biofuels for contributing up to a 30 percent increase in global food prices.

Meanwhile, ethanol producer VeraSun Energy (NYSE:VSE) announced it was going to delay the start up of a 110-million-gallon-per-year factory in Hankinson, N.D. It's the third plant this month that the company said would be delayed.

Companies have announced a series of cancellations and postponements amid economic difficulties as the cost of the materials used to make biofuels have grown faster than biofuels prices (see [Mascoma to Play Smaller Role in Pilot Project](#), [Plans for Two Cellulosic-Ethanol Plants Scrapped](#), [Another Ethanol Plant Gets Cancelled](#), [Poet Cancels Ethanol Plant](#), [Ethanol Margins Suffer](#), [Ethanol's Tough Times Continue](#)).

Despite the fierce public skepticism and company hardships that have impacted the biofuel industry, the Energy Information Administration said biofuels will become an increasingly important source of alternative energy.

The federal agency also predicted that the United States will account for almost one-half of the rise in world biofuel production, making up 1.2 million barrels per day in 2030.

The federal agency's latest forecast is quite a jump from previous estimates of 1.7 million barrels per day of biofuel production by 2030, according to Reuters.

The U.S. adopted an energy policy in December that requires fuel producers to use at least 36 billion gallons of biofuel in 2022 (see [President Signs Energy Bill](#)).

Oxfam blames such mandates for contributing to food insecurity and inflation. As a result, wealthy countries like the United States are to be blamed for pushing more than 30 million people into poverty, according to the organization's study, "Another Inconvenient Truth."

During the last year, various studies have examined the impact of biofuels on food and on the environment (see Lester Brown Talks Smack About Ethanol). Among the most damning were studies published in the Science journal, which concluded that biofuels may cause more greenhouse gas emissions than traditional fuels.

On the flip side, researchers have also found biofuels aren't at fault for driving food costs up or wreaking havoc on the environment.<

In April, researchers at Texas A&M University published a study that found that prices of corn, a key ingredient for making ethanol in the United States, have little to do with rising food costs.

On Wednesday, the Carnegie Institution for Science chimed in with another study that supports biofuels, which found that fuel crops could grow on discarded farmland.

The institute's researchers estimate that up to 1.8-million-square miles of abandoned lands globally are potentially available for growing energy crops.

The greatest amount of such land is in the United States, Brazil and Australia, according to the study.

Gulf Ethanol Corp., which trades over the counter under the ticker "GFET.PK," said Wednesday it has built a research and design facility dedicated to improving the delivering of feedstock for cellulosic ethanol production.

Cellulosic ethanol is made from nonfood biomass like switchgrass, wood chips and corncobs. Figuring out how to gather, store and transport cellulosic feedstock is among the challenges of making cellulosic ethanol (see Q&A: Harvesting Cellulosic Ethanol).

Advocates contend that cellulosic ethanol could one day solve the "food vs. fuel" issue and enable ethanol to grow dramatically.

But cellulosic-ethanol companies have had their share of difficulties, too (see Plans for Two Cellulosic-Ethanol Plants Scrapped).

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## Illinois Ag Community Is Divided on Ethanol Policy

By: Josh Flint

High grain prices continue to drive a wedge between Illinois grain farmers and pork producers.

At the Illinois Agricultural Legislative Roundtable, the Illinois Pork Producers' Association voiced its opposition to current ethanol policy. The comments came after Adam Nielsen, Illinois Farm Bureau director of issue management, discussed the recent showdown between ethanol and the Grocery Manufacturer's Association.

Phil Borgic, president of IPPA, says the organization first became concerned when the Renewable Fuels Standard was passed in 2005.

"The mandates and subsidies were coming too fast," Borgic notes. "When 70% of your cost is feedstuffs and that has doubled in the past 18 months, that's a big change."

Borgic's heard of large pork producers who have reduced sow herds by 10% in the last 18 months as a result of corn costs. He says the blender's credit and ethanol tariff have created an unfair marketplace in the hunt for corn.

"If we're going to let the market work it out, let the market work it out," Borgic adds.

Right now, pork producers are nervously waiting for the sticker shock of \$7 corn to become a reality. "When you run out of that pre-purchased corn (\$4), the shock hits," Borgic says.

Despite increased feed costs, Borgic says pork production has remained fairly stable. He attributes this to a 50% increase in pork exports in the past year.

Right now, Borgic says producers are anxiously awaiting the big jump in pork prices, which is sure to come. Nielsen agrees a price increase for meat is just around the corner.

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## **Blame U.S. ethanol policy for the high cost of food**

By: Tracy C. Miller

An Indian government official recently criticized the Bush administration for blaming the growing middle classes of developing countries, such as India and China, for rising food prices. Although he may have misinterpreted the president's remarks, his and other Indian critics' responses are worth thinking about. They argue that the United States is the real culprit behind high food prices. Has the United States played an important role in contributing to rising food prices and, if so, what should be done to correct the problem?

Growing world demand for food is part of the explanation for recent food price increases. Higher incomes of people in developing countries have enabled them to consume more calories and more meat, which has had an impact on food prices. The fact that many people in the world can afford better diets is something we should be thankful for, even if it results in higher food prices for us. What should concern us, however, is how the U.S. government has contributed to the recent run-up in world food prices by subsidizing the production of bio-fuels.

While a variety of factors have contributed to food price increases, the actions of the U.S. government to promote the production of corn for ethanol cannot be ignored. Joseph Glauber, the chief economist of the U.S. Department of Agriculture, predicts that 31 percent of the entire U.S. corn crop in 2008 and 2009 will be devoted to ethanol production. This growth in ethanol production is the result of the combination of a government mandate, a 51 cents per gallon tax credit for ethanol production, various other subsidies, and a 54 cents per gallon tariff on ethanol imports.

U.S. government mandates for increased ethanol production ignore economic reality, diverting a growing portion of U.S. cropland from food production without taking account of the cost of doing so. As more land is used to produce corn, production of other crops has declined to the point where the United States has actually had to import wheat. Because the United States is a major producer and exporter of food and feed grains, reductions in U.S. output have a major impact on world food and feed prices. As more corn is diverted to ethanol production from feeding livestock, meat prices have risen as well.

Corn is a very expensive source of fuel, not just because of its value in feeding livestock, but because of the resources involved in converting it to fuel. The amount of energy required to produce a gallon of ethanol is almost as much as the energy that results from burning the ethanol. When factoring in the other costs of using corn to produce ethanol, it should be evident why it is a waste of resources.

There is nothing inherently wrong with growing crops to produce fuel, even if doing so causes food prices to rise. Rather, the extent to which corn and other crops are used for fuel should be determined by the choices of consumers and producers in response to market prices that are unhampered by government intervention like those mentioned above-this is also known as free market prices.

Because free market prices reflect people's voluntary preferences, market prices serve as indicators of relative scarcity, reflecting the priorities of all who could potentially benefit from what could be produced from the land. Competition for resources in the market will result in those resources being used for purposes that consumers value the most. Without market prices, government officials lack the ability to estimate accurately the net benefits of additional ethanol production for society. Unlike consumers who bear the costs of their decisions through the prices they pay in the market, government officials do not bear the full costs associated with their decision to subsidize ethanol.

Ethanol subsidies and mandates also contribute to environmental degradation as more land is plowed and more pesticides are used to increase yields. They contribute to rising government deficits as well. The only reason for politicians to continue these policies is that farmers and residents of rural communities, whose incomes increase as a result, will reward them with more votes.

If more Americans can become informed about how much this is costing the rest of us, perhaps our elected representatives will see that they might actually lose votes by continuing to support this waste of taxpayers' money.

Tracy C. Miller, PhD., is an associate professor of economics at Grove City College and contributing scholar with the Center for Vision and Values.

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